

REPORT OF THE INDUSTRIAL LICENSING POLICY INQUIRY COMMITTEE

APPENDICES

Volume IV



**Government of India
Department of Industrial Development
Ministry of Industrial Development
Internal Trade and Company Affairs }**

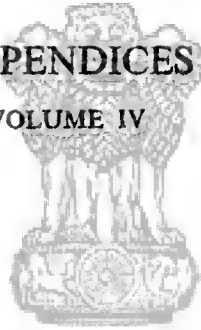
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APPENDICES

VOLUME IV



सत्यमेव जयते

APPENDIX VI-A (I)

INDUSTRIAL FINANCE CORPORATION OF INDIA



सत्यमेव जयते

APPENDIX VI-A (1)

INDUSTRIAL FINANCE CORPORATION OF INDIA

Functions and Organisation

1. The first major step taken by Government for covering the institutional gap in the capital market was the establishment of the Industrial Finance Corporation of India (IFCI). This was set up under the provisions of the IFCI Act, 1948, with a view to providing medium and long term credit to industry, especially when accommodation from normal financial sources was inappropriate or recourse to the capital market was impracticable. The main objective of setting up this institution was to cater to the financial requirements of the medium and large scale industries.

2. The concerns eligible for the IFCI's financial assistance are either public limited companies or cooperative societies registered in India. Initially, the eligibility of industrial concerns for grant of financial assistance from the Corporation was restricted to manufacturing or processing of goods, mining and generation and distribution of electricity or gas. But with the amendments of the IFCI Act in 1952, 1957 and 1960, concerns engaged or proposing to be engaged in shipping, hotel industry and preservation of goods also became eligible for its assistance. Consistent with its objectives, the IFCI from the very beginning has been providing the block capital requirements of industries not only for setting up new industrial projects but also for the renovation, modernisation, diversification and expansion of existing ones.

3. The general superintendence and direction of the affairs and business of the Corporation is entrusted to its Board of Directors, which in terms of Section 6(2) of the IFCI Act, is required, in discharging its functions, to act on business principles, due regard being had to the interests of industry, commerce and the general public. In terms of Section 23(2) of the Act, no accommodation under guarantee or loan business can be given unless it is secured by a sufficient pledge, mortgage, hypothecation, or assignment of securities, shares or debentures, bullion etc. or unless it is guaranteed by the Central Government, State Government or a scheduled bank or a State Co-operative Bank. In discharge of its functions, it is also guided by such instructions on questions of policy as may be given to it under Section 6(3) of the Act. Until 1964, the power to issue such directives was vested in the Central Government. This power has been passed on to the IDBI in terms of the IDBI Act, 1964. Important provisions of these directives, particularly in regard to grant of financial assistance, are given in the Annexure.

4. Prior to the enactment of the IDBI Act in 1964 and consequent changes in the Corporation's capital structure and organisation the IFCI was jointly owned by the Central Government, Reserve Bank of India and other financial institutions like commercial and co-operative banks, insurance companies etc. Nearly 40 per cent of its capital was contributed by Government and the Reserve Bank, and 60 per cent by other institutions, who had the right to elect 6 out of 12 directors on the Board. With the nationalisation of life insurance business in 1956 the LIC emerged as an important shareholder of the IFCI. In 1964, Government's and Reserve Bank's shareholdings were transferred to the IDBI and further shares were issued to the IDBI to give it 50 per cent share in the paid-up capital of the Corporation. The IDBI was also authorised to nominate 4 more directors on the Board. The powers of supervision of the Corporation and issuing directives to it vested earlier in the Central Government were also transferred to the IDBI. In fact, these changes have transformed the IFCI into a subsidiary of the latter for all practical purposes.

Forms of Assistance

5. Section 23 of the IFCI Act gives the type of activities which the Corporation is authorised to undertake. These are indicated below with the year in which it was authorised to undertake each type of activity shown within brackets.

- (a) Granting loans or subscribing to debentures repayable within a period not exceeding 25 years (1948)
- (b) Underwriting the issue of stock, shares, bonds or debentures by industrial concerns provided it does not retain any shares etc., which it might have had to take up in fulfilment of its underwriting liabilities beyond a period of 7 years except with the permission of Central Government (now IDBI) (1948)
- (c) Guaranteeing loans—
 - (i) raised by industrial concerns which are repayable within a period not exceeding 25 years and are floated in public market (1948)
 - (ii) raised by industrial concerns from Scheduled banks or State Co-operative Banks (1960)
- (d) Guaranteeing deferred payments due from any industrial concern—
 - (i) in connection with the import of capital goods from outside India (1957)
 - (ii) in connection with the purchase of capital goods within India (1960)

- (e) Guaranteeing loans (with the prior approval of the Central Government) raised from, or credit arrangements made with, any bank or financial institution in any country outside India by industrial concerns in foreign currency (1960)
- (f) Acting as agent for the Central Government or with its approval, for the International Bank for Reconstruction and Development (IBRD) in respect of loans granted or debentures subscribed by either of them (1952)
- (g) Subscribing to the stock or shares of any industrial concern (1960)
- (h) Acquiring with the approval of the IDBI the undertaking including the business, assets and liabilities of any institution the principal object of which is the promotion or development of industry in India, or grant of financial assistance for such promotion or development. (1964)

6. Till 1958, the Corporation restricted its operations to granting long term loans only. As regards the limit of accommodation, the Corporation until 1960 could not enter into any arrangement for loan or guarantee with a single industrial concern for an amount exceeding Rs. 1 crore unless the same was counter-guaranteed by the Central Government as to the repayment of principal and payment of interest. This requirement was dispensed with consequent to the amendments made in the IFCI Act in the year 1960. Under the amended Act, there was no maximum limit for which loans or other facilities could be sanctioned by the Corporation except that the prior approval had to be obtained of the Central Government where the accommodation granted to any single concern exceeded Rs. 1 crore. With the passing of the Industrial Development Bank Act 1964 and the consequential amendments made in the IFCI Act, the limit of Rs. 1 crore was raised to Rs. 2 crores and accordingly accommodation exceeding Rs. 2 crores to any single concern is subject to the prior approval of the IDBI. In actual practice, however, the Corporation, has been reporting all cases of loans and guarantees to the IDBI where the accommodation exceeds Rs. 50 lakhs for comments, if any, and has been obtaining the prior approval of the IDBI where such accommodation exceeds Rs. 1 crore.

7. No lower limit of financial assistance has been prescribed under the IFCI Act, but as a matter of convention, the IFCI has been following a policy not to entertain applications for rupee loans, as far as possible, from new undertakings for amounts which can be considered and sanctioned by the State Financial Corporations within the limits of accommodation applicable to them from time to time.

Evolution of Policies

8. It is within the framework of these statutory and other provisions that the Corporation's policies for granting financial assistance have been evolved from time to time. As early as in 1948, the Board of Directors of the Corporation had decided that the applications for financial assistance should be judged by the following criteria:

- (1) National importance of the industry
- (2) Experience and competence of the management
- (3) Feasibility of the scheme
- (4) The reputation enjoyed by the products of the company for quality
- (5) The cost of the scheme as compared with the resources of the company
- (6) Security offered and its proportion to the loan
- (7) Whether the aid granted is likely to help the company to work efficiently and comfortably
- (8) Whether the industry is one of those whose production exceeds the country's requirements
- (9) Whether the concern has adequate technical personnel
- (10) Whether adequate supplies of raw materials will be available over a period of years.

9. It was also decided that in view of the then situation in the money market and the stock exchanges, the Corporation for the time being should not undertake underwriting operations. For the same reasons, the Corporation did not also consider it advisable to guarantee loans floated in the public market. The assistance granted by the Corporation for over a decade since its inception continued, therefore, to be in the form of loans against an English mortgage by way of first charge over the fixed assets of the loanee concerns, although in few cases debentures were also taken where the course suited the circumstances of the borrowing companies. It was also the practice of the Corporation, as a matter of policy, to obtain the personal guarantee of the Managing Agents/directors of the companies to whom the loans were sanctioned as an additional security.

10. In processing of applications for financial assistance, the Corporation used to obtain the advice of the appropriate Ministry of the Central Government with regard to the scheme put forward by an industrial concern. Sometimes, where necessary, technical advice from Council of Scientific and Industrial Research and/or other concerned department of the Central Government was obtained. Each case

was examined by an *Ad-hoc* Advisory Committee consisting of technical experts (both officials and non-officials) whose recommendations were taken into consideration while sanctioning the financial assistance by the Executive Committee/Board. After passing of the Industries (Development & Regulation) Act in 1951, it was also ensured that the concern had an Industrial Licence for the scheme before any part of the loan amount was disbursed to it.

11. With a view to obviating delays in the disbursement of loans, the Corporation used to grant interim loans against the equitable mortgage of fixed assets and hypothecation of movable machinery or against bank guarantee or the guarantee of the Central/State Governments, pending execution of mortgage documents, particularly in cases where a concern needed funds to make payments for plant and machinery or for meeting urgent requirements for implementing the project.

12. There was no change in the foregoing policies and practices until the working of the Corporation came under the examination of IFC Enquiry Committee (December, 1952). The Committee made several recommendations in regard to its organisational set-up, policies and procedures. The Government Resolution No. 2(70)/F-III/53 dated the 23rd December, 1953, indicates the extent to which the recommendations of the Committee were accepted by Government. Upto 1953, the IFCI Act was amended in 1949 and 1952 and the Corporation had only one directive dated the 21st August 1948 on the matters of policy from Government. During the period of 5 years from 1953 to 1958, the IFCI Act was amended twice in 1955 and 1957, and the Central Government issued four directives on matters of policy (in April, 1954, December, 1955, and twice in September, 1956) under Section 6(3) of the IFCI Act and framed the IFCI Rules, 1957. All these had a direct bearing on the policies of the Corporation. Under the IFCI Rules, 1957, it was obligatory for the Corporation to satisfy itself before granting any loan that the purpose for which it was proposed to be utilised was one which had the approval of the Central Government, particularly with reference to the objective of the Five Year Plans. For this purpose, it was made clear in the Rules that any industrial concern for which a licence had been issued under the Industries (Development & Regulation) Act, 1951, shall be deemed to be established for a purpose having the approval of the Central Government. The Corporation started strictly adhering to this principle. Every application for financial assistance, whether it came from a group of industrialists/large industrial houses or from an entrepreneur unconnected with any group was considered on its merits, without any discrimination in favour of, or against, any particular interest or industry, provided the applicant possessed a valid Industrial Licence under the Industries (Development & Regulation) Act.

13. During the year 1958, the Corporation, for the first time, after its inception, entered into the field of underwriting and guarantee

business. After 1960 the Corporation also had foreign exchange resources and started granting assistance in foreign currencies. During this period, the IFCI Act was amended twice—once in 1960 and thereafter on the setting up of the Industrial Development Bank of India in 1964. In terms of Section 6(3) of the IFCI Act, the Corporation during this period received two directives on matters of policy (in September 1959, and December, 1959) as also one directive (in October 1964) from the IDBI. With the diversification of the financial assistance sanctioned by it, the Corporation reviewed its policies and procedures for appraisal, disbursements and follow-up from time to time, of which mention may be made of the following:

(i) Consistent with the directives and the provision made in the IFCI Rules, the IFCI started paying special importance to the capital structure, sound debt-equity ratio and the profitability of the project with a view not only to assessing the capacity of the concern to pay back the instalments of principal and interest but also to paying a reasonable dividend. In granting loan assistance, a margin of minimum 50 per cent in the case of all concerns other than sugar co-operatives was generally aimed at the time of sanction of assistance, as also at the time of disbursements. In the case of sugar co-operatives, inasmuch as the loans were guaranteed by Central and State Governments, the margin to be aimed at was reduced to 40 per cent at the time of sanction and disbursements, and later to 35 per cent.

(ii) Pursuant to the directive for reducing time-lag between sanction and disbursements, the terms and conditions for each type of facility were standardised so that the same could be communicated to the concerns immediately after the sanction of the facility. The work relating to the examination of title to the properties, drafting of loan documents and carrying out the attendant legal formalities, which was previously being done by engaging outside solicitors, was also taken up from February 1956 departmentally by appointment of whole-time Law Officers. In all cases, the Corporation continued ascertaining views of the Development Wing of the Ministry of Commerce and Industry or of the other concerned Ministries of the Government of India in regard to the technical and economic feasibility of the projects. By 1958, the Corporation had constituted five Advisory Committees, one each for the Textile, Sugar, Engineering and Chemical Industries and one for the rest, labelled 'Miscellaneous Industries'. These Advisory Committees gave recommendations on the technical and financial aspects of the schemes, their economic viability etc.

(iii) The sub-loans in foreign currencies are available only for the value of the equipment allowed to be imported by the Indian Import Trade Control Authorities. Here again, the Corporation has been granting foreign currency loans subject to the condition that the applicant concerns have got the requisite import licence (s) or at least the clearance/no objection letter from the Capital Goods Committee at the time of sanction.

(iv) The Industrial Policy Resolution of the Government dated the 30th July, 1956 aimed at affording special encouragement to industrial co-operatives. During 1956, the Central and State Governments agreed to guarantee all the loans that were sanctioned by the Corporation to sugar co-operatives on 50: 50 basis. The pattern of financing of sugar co-operatives was also decided in consultation with the Central Government. In the wake of this policy, the Corporation's assistance in the co-operative sector increased considerably.

(v) From policy angle, in making an appraisal of industrial projects, the Corporation continues to examine each project in the light of relevant factors like the relative industrial and national priority of the project in the economy of the country, the sources and availability of raw materials, import substitution, technical, financial and economic viability of the project, experience and probity of promoters and their financial contribution towards the capital cost, etc. In the case of large projects, which involve joint financing with other all-India financial institutions, mutual consultations are held at regular inter-institutional meetings.

(vi) In December, 1961, the Ministry of Finance, advised the Corporation that projects in which the State Governments have substantial or majority shareholdings should not ordinarily be assisted by the Corporation. It was further stated that where, however, the State Government's participation was upto one-third of the share capital or 40 per cent at most, the Corporation could render the financial assistance, treating such industrial concerns as any other public limited company. In exceptional cases, where the State Government's holding was above 40 per cent but did not exceed, say 60 per cent and the IFCI considered that a loan could be given, the case was required to be referred to the Government to be processed in consultation with the Planning Commission. In July, 1967, the Government reviewed the position and advised that the IFCI should not entertain applications from industrial concerns where the Central Government or any State Government individually or together, owned more than 50 per cent of the equity share capital; this decision was not, however, to apply to co-operative societies where the State Governments had traditionally been substantial partners in the share capital.

(vii) In January, 1961, the Government advised that in accordance with the principles followed by the Government in administering the Capital Issues (Control) Act, the debts of an applicant company should not exceed twice its paid-up capital. For this purpose, equity could be deemed to include free and untied reserves, irredeemable preference shares and redeemable preference shares with 12 years or more to run, and loans to include all fixed interest-bearing securities.

(viii) Pursuant to an amendment made to the General Regulations of the Corporation in February 1960, it was made obligatory for the Corporation to take, in addition to the normal security of the fixed

assets of a borrower concern, joint and several guarantee of the directors of the industrial concern, its Managing Agents and the Directors, partners or proprietors, as the case may be, of the Managing Agents, or from such of them as the Corporation may, in its sole discretion, deem fit. The entire matter was reviewed at the meeting of the Board of Directors in August 1962 wherein it was decided to amend the relative Regulation and to make obtaining of personal guarantee a 'discretionary' matter rather than 'obligatory'.

(ix) Uptil the third quarter of 1965, the Corporation did not have any priorities of its own except that the applicant should be in possession of an industrial licence under the Industries (Development & Regulation) Act. However, in the last quarter of 1965, the Corporation deliberately slowed down its activities to a certain extent and formulated a system of '*inter-se*' priorities to be used as guide-lines in taking up applications for financial assistance. The following important priorities were laid down:

- (i) Industrial projects which will make a significant contribution to the defence of the country
- (ii) Industrial projects which will make a significant contribution to agriculture, particularly additional food production
- (iii) Industrial projects the implementation of which will make a significant contribution to the country's export earnings
- (iv) Industrial projects likely to effect a significant substitution of imports which would otherwise have continued.

14. As the Government was attaching high importance to increased cement production and as industrial development was suffering for lack of cement, the Corporation also decided to give preference to projects for augmenting manufacturing of cement. Some preference was also given to applications for additional financial assistance for the completion of projects which the Corporation had already assisted. At the same time, it was recognised that -

- (i) the Corporation should maintain reasonable flexibility in regard to the priorities laid down and see that the profitability of the Corporation was not unduly affected; and that
- (ii) relaxations in regard to the priorities laid down as above might be made in suitable cases in respect of applications from comparatively under-developed areas.

15. In addition to the above, the financing of co-operatives continued to be the main responsibility of the IFCI. Government also decided that financial assistance to sugar and textile co-operatives should continue to be channelled through IFCI. Likewise, the IFCI

continues to extend foreign exchange credits to both traditional and non-traditional industries.

Policy towards Large Houses

16. It would be apparent that in providing medium and long term credit to industrial concerns the IFCI was expected to play a residual or marginal role to supplement the resources which industrial concerns could raise from within and from the market. This would be clear from the opening statement in the IFCI Act, 1948 which reads as follows:

"Whereas it is expedient to establish an Industrial Finance Corporation for the purpose of making medium and long term credits more readily available to industrial concerns, particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital issue methods is impracticable.

17. In actual practice, however, the IFCI has not turned down any request for financial assistance on this ground, nor is there any evidence to suggest that the Corporation is applying this condition rigorously. In this connection, the Estimates Committee of the Third Lok Sabha in its report (1962-63) on the IFCI observed that "the Committee formed the impression that there were concerns . . which could perhaps have raised their funds from the market." In fact, the Corporation would, in a normal course, consider all the applicants for assistance who would fulfil its formal requirements regarding security etc. In view of this, allegations of nepotism and favouritism in the grant of loans to established industries or those promoted by well known industrialists have been made against the Corporation.

18. The IFCI Inquiry Committee, which examined these charges in 1952, exonerated the Corporation of the charge of partiality and favouritism. However, it observed that "applications in which the Chairman or other directors take interest receive more expeditious and liberal treatment and that the Corporation carries a bias in favour of established concerns with which any prominent industrialist is associated." However, the Government did not accept this view of the Committee. The Committee also considered the question of influence exercised by large industrial houses on its Board of Directors and recommended that "it should be ensured that the Board of Corporation is not dominated by big industrial interests." Prior to the establishment of the IDBI nearly 60 per cent of the share capital of the IFCI was contributed by banks, insurance companies etc. who had the right to nominate 6 out of 12 directors on its Board. However, this position has now changed with the acquisition of 50 per cent of its paid-up capital by the IDBI, which has right to nominate 4 directors on its Board.

19. As regards unduly large proportion of IFCI's assistance going to concerns of large business houses a policy of fixing a 'ceiling' in this respect was adopted by Government in 1956. In September 1956, Government instructed the Corporation that (i) it should not grant

loans to any one party where the party concerned has already been granted loans by it on *three previous occasions* or where the *aggregate loan* to the party will exceed Rs. 1 crore except with the prior approval of the Ministry of Finance; and (ii) it would refer to the Ministry of Finance for orders, all cases where the *aggregate amount of loans* granted to industrial concerns which are owned, managed or controlled by a *closely connected group of industrialists* exceeds Rs. 1 crore. With the establishment of the IDBI in 1964, the onus of working on the basis of assistance of the IFCI to large houses was shifted to the former.

20. Until 1960, the Corporation could not enter into any arrangement for loan or guarantee exceeding Rs. 1 crore unless it was counter-guaranteed by Government as to the repayment of principal and payment of interest. This requirement was dispensed with consequent to the amendments made in the IFCI Act in 1960. Under the amended Act, there was no maximum limit for which loans or other facilities could be granted by the Corporation except that the prior approval had to be obtained of Government, where the accommodation granted to any single concern exceeded Rs. 1 crore. With the enactment of the IDBI Act in 1964 and the consequential amendments in the IFCI Act the limit of Rs. 1 crore was raised to Rs. 2 crores, and accordingly assistance exceeding Rs. 2 crores to a single concern is now subject to the prior approval of the IDBI. But in actual practice, the IFCI is reporting all assistance exceeding Rs. 50 lakhs to the IDBI for comments.

Operations

21. The analysis of the data on the operations of the Corporation relates to assistance granted by it during the period January 1956 to December 1966. The total assistance sanctioned, disbursed and outstanding by the Corporation is shown below:

(Rs. crores)			
	Sanctioned	Disbursed	Outstanding (as on 31.12.1966)
1	2	3	4
(1) <i>Loans</i>			
(i) <i>Rupee</i>	151.14 (57.6)	112.53 (57.8)	88.69 (56.4)
(ii) <i>Foreign currency</i>	40.06 (15.3)	20.59 (10.6)	19.21 (12.2)
(2) <i>Underwriting</i>			
(i) <i>Shares</i>	15.08 (5.7)	9.64 (4.9)	9.64 (6.1)
(ii) <i>Debentures</i>	4.20 (1.6)	3.27 (1.7)	2.77 (1.8)
(3) <i>Direct subscription</i>			
(i) <i>Shares</i>	—	—	—
(ii) <i>Debentures</i>	3.50 (1.3)	3.44 (1.8)	2.44 (1.6)
(4) <i>Guarantees</i>	48.57 (18.5)	45.29 (23.2)	34.37 (21.9)
(5) <i>Total</i>	262.55 (100)	194.76 (100)	157.12 (100)

Figures in brackets are percentages to total. Data include assistance sanctioned to Cooperatives and to Public Sector Undertakings.

22. During the period under reference the IFCI extended financial assistance in various ways to 340 industrial concerns through 492 applications for an aggregate amount of Rs. 262.55 crores. A large proportion of assistance granted by the Corporation, Rs. 191.20 crores constituting almost 73 per cent, was in the form of loans. Of the total loans sanctioned by the Corporation Rs. 151.14 crores were rupee loans and Rs. 40.06 crores (15.2 per cent) were in foreign currencies. Total financial assistance disbursed by the Corporation aggregated Rs. 194.76 crores and the outstanding amount at the end of the period was Rs. 157.12 crores.

Assistance to Large Houses

23. The financial assistance sanctioned by the IFCI to different groups of companies and large houses is shown below:

(Rs. crores)								
	No. of Companies	Loans		Underwriting		Direct subscriptions (debentures)	Guarantees	Total
		Rupee	Foreign Currency	Shares	Debentures			
1	2	3	4	5	6	7	8	9
1. Large Industrial Houses	89	39.73 (26.3)	21.00 (52.4)	5.39 (35.7)	3.45 (82.1)	—	25.70 (52.9)	95.27 (36.3)
2. Second Tier	8	1.41 (0.9)	0.58 (1.1)	0.84 (5.6)	—	—	9.06 (18.7)	11.88 (4.5)
3. Large Houses	48	17.64 (11.7)	10.66 (26.6)	2.99 (19.8)	3.00 (71.4)	—	4.45 (9.2)	38.74 (14.8)
4. Large Independent Companies	12	11.14 (7.4)	0.94 (2.3)	0.05 (0.3)	0.75 (17.9)	3.50 (100)	5.33 (11.0)	21.71 (8.3)
5. Others*	178	59.01 (39.0)	17.45 (43.5)	8.81 (58.6)	—	—	8.32 (17.1)	93.59 (35.6)
6. Co-operatives	53	39.85 (26.4)	0.09 (0.2)	—	—	—	0.16 (0.3)	40.10 (15.3)
7. Total	340	151.14 (100)	40.06 (100)	15.09 (100)	4.20 (100)	3.50 (100)	48.57 (100)	262.55 (100)

Figures in brackets are percentages to total.

*Assistance to others includes Rs. 4.19 crores granted to 4 Public sector Undertaking.

24. The IFCI sanctioned Rs. 95.27 crores to 89 companies of 39 large houses through 132 applications for financing assistance. This accounted for 36.3 per cent of its total assistance. In addition to this, the second tier companies accounted for Rs. 11.88 crores or another 4.5 per cent of its assistance. Thus, over two-fifths of IFCI's assistance was granted to large house companies. The Corporation sanctioned Rs. 21.71 crores or 8.3 per cent of its assistance to 12 large independent companies. The other 178 companies, which accounted for 251 or 51 per cent of applications for financial assistance, secured Rs. 93.59 crores or 35.6 per cent. While the share of large house

applicants in rupee loans was Rs. 39.73 crores or 26.3 per cent, in respect of foreign currency loans their share was Rs. 21 crores constituting 53.4 per cent. As regards assistance by way of underwriting, large house companies obtained assistance for Rs. 5.39 crores or 35.7 per cent for shares and Rs. 3.45 crores (82.1 per cent) for debentures. The bulk of Guarantees sanctioned by the Corporation was in respect of large house companies (Rs. 25.70 crores or 52.9 per cent) and the second tier companies (Rs. 906 crores or 18.7 per cent). Assistance by way of direct subscription was only in respect of debentures for Rs. 3.50 crores of independent large companies.

25. The overall distribution of assistance sanctioned to large house companies does not give a clear idea of the quantum of its assistance to the private corporate sector and the share of large house companies in this. This is because it also includes assistance granted to co-operative societies, particularly to sugar and cotton spinning factories. The following table shows the distribution of its assistance in various forms to the private corporate sector, exclusive of assistance granted to co-operative societies.

(Rs. crores)							
1	No. of Companies	Loans		Underwriting		Guarantees	Total
		Rupee	Foreign Currency	Shares	Debentures		
1	2	3	4	5	6	7	8
1. Large Industrial houses	89	39.73 (35.7)	21.00 (52.5)	5.39 (35.7)	3.45 (82.1)	25.70 (53.1)	95.27 (42.8)
2. 2nd Tier companies	8	1.41 (1.3)	0.58 (1.4)	0.84 (5.6)	—	0.06 (18.7)	11.89 (5.3)
3. Larger Houses	48	17.64 (15.8)	10.66 (26.7)	2.99 (19.8)	3.00 (71.4)	4.45 (9.2)	38.74 (17.4)
4. Large Independent companies	12	11.14 (10.0)	0.94 (2.4)	0.05 (0.3)	0.75 (17.9)	5.33 (11.0)	21.71* (9.8)
5. Others**	178	59.01 (53.0)	17.45 (43.7)	8.81 (58.4)	—	8.32 (17.2)	93.59 (42.1)
6. Total	287	111.29 (100)	39.97 (100)	15.09 (100)	4.20 (100)	48.41 (100)	222.46 (100)

Figures in brackets are percentages to total 1.

*Includes Rs. 3.5 crores of direct subscription to debentures not shown separately.

**Includes Rs. 4.19 crores of assistance to 4 Public Sector Undertakings.

26. The total assistance sanctioned by the Corporation to the public limited companies aggregated Rs. 222.46 crores as loans, underwriting and guarantees. The share of all large houses was Rs. 95.27 crores and formed 42.8 per cent of total assistance. If assistance sanctioned by the Corporation to the second tier companies of large houses is included, the proportion would rise to 48.1 per cent of the total. Of this the share of 14 larges houses was Rs. 38.74 crores and formed 17.4 per cent of the total. Independent large companies accounted for Rs. 21.71 crores constituting 9.8 per cent. Thus, the share of large house companies together with their associates and independent large companies was 57.9 per cent of its total assistance.

House-wise Distribution of Assistance

27. The distribution of assistance sanctioned by the Corporation among different large houses showed wide dispersal. From among these, assistance to the large houses which secured *one per cent or more* of its total assistance is shown below:

(Rs. crores)

Business Houses	No. of companies	Loans		Underwriting		Guarantees	Total
		Rupee	Foreign currency	Shares	Debentures		
1	2	3	4	5	6	7	8
A. Larger Houses							
1. A. C. C.	1	2.00	—	—	1.10	—	3.10 (1.2)
2. Bangur	1	1.25	0.62	0.28	0.40	—	2.55 (1.0)
3. Birla	16	2.79	6.63	1.10	0.65	0.72	11.89 (4.5)
4. J. K. Singhanian	5	2.38	0.53	0.50	—	3.52	6.93 (2.6)
5. Mafatlal	3	3.50	—	0.60	—	—	4.10 (1.6)
6. Tata	5	2.85	0.24	0.43	—	—	3.51 (1.3)
7. Sub-Total	31	14.77	8.02	2.91	2.15	4.24	32.08 (12.2)
8. 20 Larger Houses	48	17.64 (11.7)	10.66 (26.6)	2.99 (19.8)	3.00 (71.4)	4.45 (9.2)	38.74 (14.8)
B. Other Large Houses							
9. Bajaj	3	1.45	1.18	—	—	0.09	2.72 (1.0)
10. Chinai	1	2.93	—	—	—	—	2.93 (1.1)
11. Indra Singh	1	0.75	—	—	—	5.57	6.32 (2.4)
12. Kirloskar	4	0.89	1.44	0.40	—	—	2.73 (1.0)
13. Mahindra & Mahindra	2	2.34	2.17	0.10	—	—	4.61 (1.8)
14. Modi	3	2.38	0.15	—	—	1.11	3.65 (1.4)
15. Naidu (V. Rangaswamy)	1	1.00	—	1.20	—	9.69	11.89 (4.5)
16. Parry	3	0.97	—	0.30	—	2.46	3.73 (1.4)
17. Seshasayee	1	1.52	1.64	—	—	—	3.16 (1.2)
18. S. P. Jain	2	1.65	0.18	0.10	—	1.10	3.03 (1.2)
19. Sub-Total	21	16.88	6.76	1.10	—	20.02	44.77 (17.0)
20. Large Ind. Houses (A + B)	52	30.65	14.78	5.01	2.15	26.26	76.85 (29.1)
21. All Large Industrial Houses	89	39.73 (26.3)	21.00 (22.4)	5.39 (35.7)	3.45 (82.1)	25.70 (52.9)	(95.27) (36.3)

(Contd. on next page)

C. Second Tier							
22. Parry	1	—	—	0.75	—	9.01	9.76 (3.7)
23. Grand Total (A + B + C)	53	30.65	14.78	5.76	2.15	33.27	86.61 (32.9)
24. All companies	340 (100)	151.14 (100)	40.06 (100)	15.08 (100)	4.20 (100)	48.57 (100)	262.55* (100)

Data include assistance sanctioned to cooperatives and to Public Sector Undertakings.

Figures in brackets are percentages.

*Includes Rs. 3.50 crores of direct subscription to debentures not shown separately.

28. It will be observed that the bulk of IFCI's financial assistance to large houses was concentrated in the companies in 18 large houses which accounted for Rs. 76.85 crores or 29.1 per cent of assistance to all companies as against the total assistance of Rs. 95.27 crores or 36.3 per cent to all large house companies. The analysis of the assistance sanctioned according to major large houses showed that the House of Parrys was the single largest beneficiary which obtained Rs. 13.49 crores or 5.1 per cent of the total assistance (inclusive of assistance sanctioned to an associate company of the group). The bulk of this assistance (Rs. 11.47 crores) was in the form of guarantee facility. The Houses of Birla and V. Rangaswamy Naidu came next with Rs. 11.89 crores or 4.5 per cent each of total assistance.

Size-wise Analysis of Assistance

29. The distribution of loan and underwriting assistance sanctioned by the IFCI according to size may be discussed now. The table below shows size-wise distribution of number of applications and amount of rupee loan assistance.

(Amount Rs. crores)

Size-range (Rs. lakhs)	All Rupee loans		Larger Houses		Large Indus- trial Houses		Co-operative societies.		All others	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9	10	11
Upto 10	72	5.30	1	0.02	7	0.56	7	0.68	58	4.06
10 — 20	78	12.52	5	0.89	16	2.63	7	1.15	55	8.74
20 — 30	55	14.30	4	1.11	13	3.34	5	1.26	37	9.70
30 — 50	36	28.05	7	3.10	20	8.60	8	3.28	81	16.17
50 — 75	45	27.86	4	2.68	11	6.96	21	12.80	13	8.10
75 — 100	44	40.33	2	2.00	6	5.87	22	19.58	16	14.88
100 — 150	9	11.79	3	3.84	4	4.34	1	1.10	4	5.35
Above 150	5	10.93	2	4.00	3	6.43	—	—	2	4.56
Total	377	151.14	28	17.64	80	39.73	71	39.85	226	71.56

30. The size-wise distribution of rupee-loans of the Corporation showed concentration of large loans exceeding Rs. 50 lakhs which accounted for Rs. 90.97 crores or 60.2 per cent of the total in respect of 103 applications or 27.4 per cent of all applications sanctioned by it. The share of larger houses was Rs. 12.52 crores to 11 applications and the corresponding figures for all large houses were Rs. 24.60 crores to 24 applications. In the highest size range of above Rs. 1.50 crores a large proportion of loans sanctioned was to 3 applications for Rs. 6.43 crores out of Rs. 10.99 crores to large house applications.

31. As co-operative societies and independent large companies were sanctioned negligible assistance by way of foreign currency loans in the sizewise analysis of the distribution of foreign exchange loans these are excluded. The sizewise analysis is restricted to larger houses, all large houses and other non large house companies (exclusive of independent large companies).

(Rs. Crores)

Size-range (Rs. lakhs)	All foreign currency loans		Larger Houses		Large Indus trial Houses		Others	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9
Upto 10	32	1.88	4	0.31	10	0.70	16	0.78
10 — 20	15	2.34	5	0.78	8	1.25	5	0.77
20 — 30	19	4.65	5	1.10	9	2.10	8	2.01
30 — 50	13	5.22	5	1.96	7	2.73	3	1.30
50 — 75	12	6.98	3	1.86	6	3.59	4	2.23
75 — 100	4	3.31	—	—	1	0.83	3	2.54
100 — 150	5	6.61	1	1.29	2	2.61	3	4.00
Above 150	4	9.00	1	3.36	3	7.18	1	1.83
Total	104	40.06	23	10.66	46	21.00	43	15.46

32. The distribution of foreign exchange loans of the Corporation, showed a heavy concentration among the larger houses and other large house applicants. The former accounted for over one-fourth and the latter for more than half of the assistance sanctioned. Within the different size ranges, there was a heavy concentration in the two highest ranges of Rs. 1 crore to Rs. 1.50 crores and above Rs. 1.50 crores. Only 9 out of 104 applications accounted for a total sum of Rs. 15.61 crores or for more than 38.8 per cent of total foreign currency loans of the Corporation.

33. We may now turn to the sizewise analysis of underwriting assistance sanctioned by the Corporation.

Size range (Rs. lakhs)	(Rs. lakhs)													
	Total Underwriting				Larger Houses				Large Industrial Houses				Others	
	Shares		Deben- tures		Shares		Deben- tures		Shares		Deben- tures		Shares	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Up to 5	61	248	—	—	4	16	—	—	6	26	—	—	55	222
5—10	34	291	2	20	2	18	2	20	4	38	2	20	39	253
10—20	21	347	1	20	3	50	—	—	4	70	1	20	17	277
20—30	5	140	3	80	3	85	2	55	4	115	3	80	1	25
30—40	6	238	1	40	2	80	1	40	3	120	1	40	3	118
40—50	1	50	—	—	1	50	—	—	1	50	—	—	—	—
Over 50	2	195	3	260*	—	—	2	185	1	120	2	185	1	75
Total	130	1509	10	420	15	299	7	300	23	539	9	345	107	970

*This includes underwriting of debentures for Rs. 75 lakhs of one non-large house application, not shown separately.

34. It will be seen that underwriting assistance granted by the Corporation to issues of shares (ordinary and preference) was concentrated in the lower size range upto Rs. 20 lakhs. Out of 130 applications for Rs. 15.09 crores these size ranges accounted for 116 applications for Rs. 8.86 crores or more than half. However, a large proportion of underwriting support extended to large house companies, Rs. 4.05 crores through 9 applications, was in respect of higher size ranges exceeding Rs. 20 lakhs. Even larger houses obtained underwriting support of the Corporation for small amounts not exceeding Rs. 20 lakhs. The bulk of the underwriting of shares of other non-large house companies, both in terms of number of applications and amount underwritten, was for small amounts not exceeding Rs. 20 lakhs.

Assistance to Director interested companies

35. The Corporation has leading industrialists on its Board of Directors, either as directors elected by certain categories of share holders or as directors nominated by Government or the Reserve Bank/IDBI. The quantum of assistance sanctioned in respect of companies in which the directors of the Corporation were interested is shown below:

		(Rs. lakhs)					
	No. of Compa- nies ¹	Loans		Underwriting		Guarantees	Total
		Rupee	Foreign currency	Shares	Deben- tures		
1	2	3	4	5	6	7	8
1. 20 Larger Houses	2	—	—	25	—	20	45
2. 73 Large Industrial Houses.	6	75	25	65	—	20	185
3. Co-operative societies	11	350	—	—	—	—	350
4. Others	23	361	341	18	—	161	881
5. Total	(6.8)	786	366	83	—	181	1416
	(6.8)	(5.2)	(9.1)	(5.5)	—	(3.7)	(5.7)

Figures in brackets are percentages to total for all companies.

36. Directors of the Corporation were interested as directors of 23 companies which were sanctioned total assistance of Rs. 14.16 crores. These companies formed only 6.8 per cent of all the companies assisted by it and the amount of assistance granted to these companies formed 5.7 per cent of total assistance to all companies. There were only 6 companies which were assisted by the Corporation, in which directors belonging to large houses were interested.

Analysis of Rejected Applications

37. The analysis of applications for financial assistance rejected by the Corporation would show whether these were mainly from large house concerns or non-large house concerns. The following table shows sizewise distribution of rejected applications.

Size range (Rs. lakhs)	Number of rejected applications						
	Total	Large Industrial Houses	2nd Tier	Larger Houses	Independent Large companies.	Co-operative societies.	Others
1	2	3	4	5	6	7	8
Upto 10	26	3	2	1	—	1	20
10 — 20	11	4	—	2	1	1	5
20 — 30	4	2	—	2	—	—	2
30 — 50	9	4	—	2	—	—	5
50 — 100	5	1	—	1	—	—	4
100 — 150	—	—	—	—	—	—	—
Above 150	—	—	—	—	—	—	—
Total	55	14	2	8	1	2	36

38. It will be seen that of the total number of rejected applications the bulk of them (36 applications), almost 65 per cent of the total, were from 'other companies' which had no association with large houses, independent large companies and co-operative societies. There were 14 applications of all large houses and 2 of second tier companies of large houses which were rejected by it.

Project-Cost Analysis

39. The estimated total project cost of 340 IFCI assisted companies was Rs. 983.16 crores. This figure includes the project-cost of new companies as well as the expansion projects of the existing companies. In view of the existence of easy facilities to raise loan capital from the IFCI a number of companies approached the Corporation more than once to fill up the cost-overrun or to embark on expansion of projects or their diversification even before or soon after the original projects were implemented.

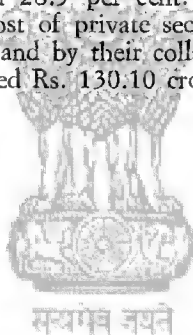
40. The following table shows sources of funds and the contribution of promoters and collaborators, as compared to that of the IFCI, to the total cost of projects.

(Rs. crores)

Sources of funds	Large Industrial Houses	Second Tier	Larger Houses	Large Independent Cos.	Cooperative societies	Others	(Rs. crores) All companies	All Companies excluding Coop. societies
	(89)	(8)	(48)	(12)	(53)	(178)	(340)	(287)
1	2	3	4	5	6	7	8	9
1. Shares	84.43 (19.3)	9.95 (26.3)	46.40 (15.2)	38.84 (23.7)	23.11 (31.0)	108.06 (40.1)	264.39 (26.9)	241.28 (26.6)
2. Loans	181.22 (41.4)	23.45 (62.0)	130.86 (42.8)	38.68 (23.6)	45.22 (60.7)	126.55 (47.0)	415.12 (42.2)	369.90 (40.7)
3. Debentures	21.75 (5.0)	—	19.50 (6.4)	32.00 (19.5)	—	—	53.75 (5.5)	53.75 (5.9)
4. Deferred payments	23.85 (5.0)	0.77 (2.0)	11.75 (3.8)	6.64 (4.1)	3.58 (4.8)	13.37 (5.0)	48.21 (4.9)	44.63 (4.9)
5. Other sources	123.44 (28.2)	3.63 (9.6)	97.10 (31.8)	47.67 (29.0)	2.59 (3.5)	24.35 (9.0)	201.68 (20.5)	199.09 (21.9)
6. Total Project cost (1 to 5)	437.70 (100)	37.82 (100)	305.63 (100)	163.85 (100)	74.52 (100)	269.27 (100)	983.16 (100)	908.64 (100)
OF WHICH								
7. Promoters' contribution	1.71 (4.5)	11.32 (3.5)	11.31 (3.7)	15.96 (9.7)	—	41.91 (15.6)	78.90 (8.0)	78.90 (8.7)
8. Collaborators contribution	24.80 (5.7)	3.98 (10.5)	20.01 (6.5)	15.31 (9.3)	—	7.11 (2.6)	51.20 (5.2)	51.20 (5.6)
9. Total (7+8)	44.52 (10.2)	5.31 (14.0)	31.32 (10.2)	31.27 (19.1)	—	49.00 (18.2)	130.10 (13.2)	130.10 (14.3)
10. Government Assistance								
(i) Shares	3.30 (0.8)	—	1.88 (0.6)	9.88 (8.6)	9.88 (13.3)	9.55 (3.5)	36.83 (3.7)	26.95 (3.0)
(ii) Loans	2.98 (0.7)	—	2.98 (1.0)	—	0.09 (0.1)	4.35 (1.6)	7.42 (0.8)	7.33 (0.8)
11. Total (i + ii)	6.28 (1.4)	—	4.86 (1.6)	14.10 (8.6)	9.97 (13.4)	13.90 (5.2)	44.25 (4.5)	34.28 (3.8)
12. IFCT's Assistance								
(i) Shares	5.39 (1.2)	0.84 (2.2)	2.99 (1.0)	0.08 (0.3)	—	8.81 (3.3)	15.09 (1.6)	15.09 (1.7)
(ii) Debentures	3.45 (0.8)	—	3.00 (1.0)	4.25 (2.6)	—	—	7.70 (0.8)	7.70 (0.8)
(iii) Loans	60.73 (13.9)	1.99 (5.3)	28.30 (9.3)	12.08 (7.4)	39.94 (53.6)	76.46 (28.4)	191.20 (19.4)	151.26 (16.6)
Of which loan in foreign currencies	21.00	0.58	10.66	0.94	0.09	17.45	40.06	39.97
(iv) Guarantees	25.70 (5.9)	9.06 (24.0)	4.45 (1.5)	5.33 (5.3)	0.16 (0.2)	8.32 (3.1)	48.57 (4.9)	48.41 (5.3)
13. Total (i to iv)	95.27 (21.7)	11.88 (31.4)	38.74 (12.7)	21.71 (13.2)	40.10 (53.8)	93.59 (34.8)	262.55 (26.7)	222.45 (24.5)

Figures in brackets in column headings indicate number of companies, while other figures in brackets indicate percentages to total project cost.

41. Of the total project cost of Rs. 983.16 crores for the projects of 340 companies the contribution of the IFCI in assisting the company to raise these funds was more than one-fourth (Rs. 262.55 crores or 26.7 per cent). This assistance also includes underwriting and guarantees sanctioned, which are in the nature of contingent liability of the Corporation. Nevertheless, it is necessary to include this assistance because even if the Corporation may not have to provide finance for the entire amount in respect of underwriting and guarantee facilities extended by it, it would not have been possible for companies to raise the required resources in the absence of these facilities. Secondly, for the purposes of analysis of IFCI's assistance to the private corporate sector we have excluded its assistance to 53 co-operative societies. This was also necessary because the sources of their funds and their relative importance were significantly different from those of other private sector companies assisted by the Corporation. The total project cost of the 287 private sector companies was Rs. 908.64 crores and IFCI's assistance to these companies was Rs. 222.45 crores or 24.5 per cent. These companies also received direct financial assistance from Government of Rs. 34.28 crores forming 3.8 per cent of the project-cost. Thus, the total assistance of Rs. 236.73 crores granted by the Corporation and Government to private sector projects constituted 28.3 per cent. As against this, the contribution to the project cost of private sector companies by the promoters was 8.7 per cent and by their collaborators was 5.6 per cent. Their total share aggregated Rs. 130.10 crores or 14.3 per cent.



ANNEXURE

Directives on the Question of Policy Issued to the IFCI

Important provisions of the directives issued by Government or the IDBI to IFCI are as follows:—

- (i) The Corporation should assist, as far as may be practicable, the industrial development of backward provinces and areas in order that such regions may attain a more balanced economic development.
(Directive dated 21.8.1948)
- (ii) Where the Corporation grants accommodation to an industrial concern, one of the conditions for providing such accommodation should be that the borrowing concern should limit its dividend to a particular rate until the loan is repaid.
(Directive dated 21.8.1948)
- (iii) In sanctioning loans, a minimum margin of 50 per cent should be *generally aimed at* and greater attention should be given to the proper assessment of the earning capacity of the borrowing concern. The financial stakes of the Directors and the Managing Agents of the applicant concern should also be taken into account and where such financial stake has been taken into account by the Corporation as a factor of safety, the Directors and the Managing Agents concerned should not be at liberty to dispose of their shareholdings in the borrowing concern, without the prior approval of the Corporation. Provided however, that in cases where the foreign exchange cost of the imported plant and machinery amounts to not less than 60 per cent of the total capital cost of the project financed by the IFCI and the import is covered by import licences issued under one or other of the foreign currency loans taken from foreign Governments or banks or financial institutions, the minimum margin to be aimed at may be reduced to 40 per cent at the discretion of the Corporation.

Provided further, that if in any particular case, the Corporation considers that for special reasons to be recorded in writing it is essential to reduce the margin by a further 5 per cent, the Corporation may do so but with the prior approval of the Central Government (now IDBI).

(Directive dated 3.4.1954 read with directive dated 28.9.1959)

- (iv) A report should be sent to Government (now IDBI) with full particulars whenever loans in excess of Rs. 50 lakhs in individual cases are decided to be granted by the Corporation. A report should also be sent to Government (now IDBI) of all cases of the grant of loans in which a Director of the Corporation is a Managing Director or a Director/Partner/Shareholder in the Managing Agency concern of the applicant undertaking. In cases of loans to companies in which a Director of the Corporation is an ordinary Director or Shareholder, a report should be sent if loans are sanctioned at meetings at which less than half the directors are present or the decision is not unanimous.

(Directive dated 3.4.1954)

- (v) Directors of the Corporation must invariably disclose whenever interest they may have in applications for loans including shareholding in the loanee company or its Managing Agency) pending with Corporation and the Director concerned should withdraw from the meeting when the application for loan in which he is interested is under discussion.

(Directive dated 3.4.1954)

- (vi) The IFCI shall not grant loans to any one party where the party concerned has already been granted loans by it on three previous occasions or where the aggregate loan to the party will exceed Rs. 1 crore except with the prior approval of the Ministry of Finance (now IDBI).

(Directive dated 13.9.1956)

- (vii) The IFCI shall refer to the Ministry of Finance (now IDBI) for orders, all cases where the total amount of loans granted to industrial concerns which are owned, managed, or controlled by a closely-connected group of industrialists exceed Rs. 1 crore.

(Directive dated 13.9.1956)

N.B. For purposes of clauses mentioned vide (vi) and (vii) above, the aggregate loan of Rs. 1 crore, according to the directive dated 13.9.1956, should be calculated by adding up the outstandings of the previous loan or loans and the amount of the fresh loan granted.

- (viii) The Corporation should, as far as possible, reduce to the minimum the time-lag between sanction and disbursement of loans subject to the usual and necessary precautions regarding security, etc.

(—Directive dated 19.9.1956)



सत्यमेव जयते

APPENDIX VI-A (2)

**INDUSTRIAL CREDIT AND INVESTMENT
CORPORATION OF INDIA**



सत्यमेव जयते



सत्यमेव जयते

APPENDIX VI-A(2)
INDUSTRIAL CREDIT AND INVESTMENT CORPORATION
OF INDIA

1. On the recommendation of the IBRD-cum-American Investment Mission in 1954, the Industrial Credit and Investment Corporation of India (ICICI) was set up in 1955, under the Companies Act, as a public limited company with Government support to finance industries and to act as an underwriting institution. It has as its main object the development, expansion and modernisation of industrial enterprises in the private sector, by providing finance in the form of long or medium term loans, underwriting public issues of shares and debentures, subscribing directly to shares and debentures and furnishing or obtaining managerial and technical services for Indian enterprises. From the very inception the ICICI has foreign exchange resources, and has played an active role in providing risk capital to industrial concerns, unlike the IFCI which entered this field after 1958. The ICICI sought to fill these gaps in the institutional facilities for the provision of finance to industrial concerns in the private sector.

Origin

2. Before we discuss the functions and operations of the ICICI it would be interesting to go into the circumstances leading to its establishment. The question is why a separate all-India institution, quite different from the IFCI in its organisation, functions and sources of its funds, was considered necessary.

3. It must be remembered that in 1955, when the Corporation was set up, the country had considerable foreign currency resources and no foreign exchange scarcity was evident. On the other hand, though facilities for obtaining medium and long term credit from the IFCI and SFCs may be regarded as adequate, the capital market was less developed and underwriting facilities for new capital issues, particularly by new companies with which leading industrial and business houses were not associated, were rather inadequate.

4. As early as 1951 the World Bank (IBRD) had started exploring the possibility of utilising the IFCI as its agency to channelise its assistance to industrial concerns in the private sector in India. In December 1951, a mission from the IBRD held discussions with some of the directors of the IFCI for granting a loan in foreign currency to the Corporation. The IBRD also was inclined to extend credit facilities to the IFCI. A second mission from the IBRD came to India in May 1952 to hold further discussion with the IFCI and the Government to finalise the terms and conditions of the loan to the Corporation. In November 1952 a bill to amend the IFCI Act was also introduced in the Parliament to authorise the Central Government to

guarantee the IBRD loans to the Corporation; the IBRD had provisionally agreed to grant \$8 million loan to the IFCI. However, later it was thought that the existing institutions, even with all the improvements can go only a part of the way in meeting the requirements of industrial finance. Consequently, instead of providing the IFCI with foreign exchange resources the idea was mooted of setting up a new *privately owned* industrial financing institution, with the support of the IBRD and the Government of India. In 1953-54 the IBRD sent another mission to India "to explore the possibilities of establishing a privately owned and operated development corporation to finance the expansion and modernisation of private industry". Later, a Steering Committee, consisting of three leading industrialists, Sir A. Ramaswami Mudaliar, Shri G.D. Birla, and Shri A.D. Shroff, was set up to discuss with the World Bank the constitution and structure of the new financial institution.

Objects

5. The ICICI grants financial assistance in various forms. It grants long and medium-term loans in rupees and foreign currencies, underwrites public and private issues of shares and debentures and subscribes to them directly, and guarantees deferred payment arrangement for supply of machinery as also payment of loans made by other institutions. The main object of the Corporation is to broaden the capital market by acting as a catalyst in that it helps to mobilise investment much more than the amount of its own assistance. With this end in view it works in close cooperation with other financial institutions like the IFCI, SFCs, IDBI, SBI and LIC.

6. The Corporation assists any limited company (Public or private) in the private sector. The presence of some Government funds does not preclude ICICI assistance, so long as the company is essentially private in character. The assistance may be for the establishment of new enterprises or for expansion and modernisation of an existing industrial undertaking. There are no firm limits on the extent of its assistance to a single company. Ordinarily Rs. 5 lakhs is the lower limit for investment and at the upper limit prudence requires that the Corporation restricts the proportion of its resources which can be safely invested in a single company. The Corporation generally limits its investments in any one company to Rs. 1 crore, and foreign currency loans for all companies in one group to Rs. 3 crores.

7. The establishment of the corporation as a privately owned 'development bank' is a landmark in the field of special financial institutions. It differs from the IFCI and the SFCs in a number of respects - ownership, management and the form in which it could extend assistance to industrial concerns. Right from its inception the Corporation has taken active interest in extending underwriting facilities for public issues of capital and direct investment in industrial securities from the market. Moreover, as an agency of the World Bank, the ICICI had foreign exchange resources to start with and could extend loans both in rupees and in foreign currencies. The Central Government had placed local currency resources in the form of a soft loan, free

of interest and repayable over a long period. Thus, the operations of the Corporation are characterised by flexibility. Except for the nomination of a Government Director on the Board, the Corporation is free from any sort of Government control, unlike the IFCI and SFCs.

Ownership Management and Control

8. The ICICI has an authorised capital of Rs. 25 crores of which Rs. 7.50 crores has been issued and paid-up. Its capital has been entirely subscribed by Indian and foreign private institutions such as banks, insurance companies, development finance institutions and joint stock companies and individuals. This capital was supplemented by an interest-free loan of Rs. 7.5 crores given by the Central Government to the Corporation in 1955, repayable in 15 equal annual instalments, commencing after the expiry of 15 years and followed by other loans from the Government and later by the IDBI. Its profit earning capacity has been greatly augmented by the indirect subsidy from the Government in the shape of a large interest-free loan, which was not available to other Government-sponsored institutions like the IFCI and SFCs. The Corporation has also obtained foreign exchange loans from the World Bank on Government guarantee and from other institutions such as the AID of the USA and the KfW of West Germany.

9. Of the original paid-up capital of Rs. 5 crores in 1955, Rs. 1.50 crores or 30 per cent was subscribed by foreign institutions and individuals and Rs. 3.50 crores or 70 per cent was taken up by institutions and individuals in India. Of the Indian shareholding Rs. 2 crores or 40 per cent were subscribed by banks, insurance companies, directors of the ICICI, their friends and associates. Only Rs. 1.50 crores or 30 per cent of the capital was offered to the general public for subscription. Though the stated objective of the Corporation was to distribute ICICI's shareholding in such a manner that no interest would be able to control its policy an offer of public issue for only Rs. 1.50 crores or 30 per cent was made while Rs. 2 crores or 40 per cent of the capital was subscribed by the directors and other institutions, which gave them a controlling voice in the management of the Corporation. This pattern of ownership of its share capital largely determines the management and control of the Corporation which remained in the hands of a few leading industrialists, some of them intimately connected with large business houses of the country. Such a distribution of its shareholdings has given an edge to the members of its first Board of Directors over other shareholders. The broad structure of ICICI's shareholding as on 31.12.1956 and 31.12.1966 (on the basis of the first 50 shareholders) is shown below.

(Rs. lakhs)				
Large House holdings	Share holdings in ICICI as on			
	31.12.1956		31.12.1966	
	Amount	Percent	Amount	Percent
1. A.C.C.	2.29	0.45	8.43	1.12
2. Andrew Yule	3.81	0.76	5.72	0.76

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Large House holdings	(Rs. lakhs)			
	Share holdings in ICICI as on		31.12.1966	
	31.12.1956		Amount	Percent
	Amount	Percent	Amount	Percent
3. Birla	43.42	8.68	47.92	6.39
4. Chinai	—	—	6.50	0.87
5. Dalmia R. K.	3.81	0.76	—	—
6. Kasturbhai Lalbhai	5.34	1.07	—	—
7. Macneil & Barry-Binny	2.00	0.40	—	—
8. Martin Burn	3.05	0.61	3.05	0.41
9. Muthia	10.00	2.00	10.00	1.33
10. Sahu Jain	23.93	4.79	28.00	3.73
11. Scindia	—	—	13.25	1.77
12. Tata	31.85	6.37	23.97	3.20
Total	129.50	25.89	146.84	19.58
13. Second Tier (Thkersey)	24.64	4.93	40.50	5.40
14. Foreign controlled Companies	—	—	5.29	0.71
15. Large Independent Companies	3.81	0.76	9.46	1.26
16. LIC and UTI	8.72*	17.14	841.56	19.81
	(only LIC)			
17. Other Indian Banks	61.73	12.35	87.04	11.61
18. Other Insurance Companies	6.56	1.31	3.98	0.53
19. Other Companies	5.00	1.00	12.33	1.65
20. Foreign shareholders	105.70	21.14	189.15	25.22
21. All others	77.34	15.46	107.85	14.23
Total paid-up capital	500.00	100.00	750.00	100.00

10. It will be seen that large houses owned nearly 26 per cent of the ICICI's paid-up capital as on 31st December 1956 and 19.6 per cent as on 31st December, 1966. However, their representation on the ICICI's Board of Directors was out of proportion to their shareholdings. In 1956, out of 11 directors, 7 were closely associated with large business houses. In 1966, out of 13 there were 7 such directors. There large house directors were on the Board of the ICICI throughout the period under consideration. This could happen because though one-third of its elected directors retire every year, a retiring director is eligible for re-election as in other private sector companies in terms of Section. The LIC and UTI, which held almost one-fifth of ICICI's paid-up capital, have no representation on its Board of Directors. The composition of ICICI's Board in 1956 and 1966 is shown below:-

1956

1. Dr. A.R. Mudaliar, Chairman
2. Shri A.D. Shroff.
3. Shri G.D. Birla
4. Shri Kasturbhai Lalbhai.
5. Sir Biren Mookerjee
6. Mr. W.R. Cockburn.
7. Mr. A.E. Lockhart.
8. Mr. R.G. Smith.
9. Shri D.M. Khatau
10. Sir Badriadas Goenka.
11. Shri L.K. Jha (Govt. Director)

1966

1. Shri G.L. Mehta, Chairman
2. Dr. A.R. Mudaliar.
3. Shri Kasturbhai Lalbhai.
4. Mr. W.G. Pullen.
5. Mr. L.J. Mulkern.
6. Shri D.M. Khatau
7. Mr. C.M.A. Bathurst
8. Shri K.K. Birla
9. Shri D.P. Goenka
10. Shri N.A. Palkhiwala
11. Shri B.K. Dutta
12. Shri N.M. Wagle
13. Shri S.S. Shiralkar (Govt. Director)

11. It will be seen that the house of Birla, Tata, Kasturbhai Khatau and Goenka had their representatives on the Board of ICICI for both the years. After the nationalisation of life insurance business in September 1956 the LIC held 17 per cent of ICICI's paid-up capital, introducing an important change in the structure of ownership of its paid-up capital. But on a representation by the ICICI, the then Finance Minister assured the Corporation that the Government would not interfere in the management and control of the ICICI through the LIC. Chairman's speech at the first Annual General Meeting of the ICICI).

Operational Policies

12. In its operational policies the corporation functions as a privately owned and controlled development financing agency. It has no inhibitions, regarding type or size of industrial concerns which could seek its financial assistance and the form in which this assistance would be granted and no instructions are issued to it by the Government. In the annual statements the Chairman of the Corporation has indicated, from time to time, the broad features of its assistance as follows:-

(i) A large proportion of the applications sanctioned was in respect of new enterprises and in non-traditional industries like engineering and chemicals as a matter of deliberate policy.

(ii) As regards industries covered and their distribution over the country, assistance was broadbased; and special attention was given to the needs of underdeveloped areas.

(iii) One of the main factors motivating the formation of the ICICI was the lack of an active capital market for new issues in India. The Corporation attempts to fill this gap by its underwriting activity and direct subscriptions to shares and debentures. In doing so its main object is not to make permanent investment or obtain speculative gain but to revolve its investments in order to make its funds available for further industrial financing.

(iv) With the establishment of a number of specialised financial institutions industrial financing has become a cooperative effort. The policy of the ICICI is to work in close cooperation with other institutions like the IFCI, IDBI, LIC and SFCs on the one hand and IFC (Washington), CDFC(UK) etc. on the other.

(v) The Corporation as also the other institutions endeavour to broaden the capital market by encouraging brokers and other underwriters with the object of fostering the growth of the capital market in the country.

13. Right from its inception the Corporation provided comprehensive assistance for projects in the form of share capital through underwriting and direct subscription and loans in foreign currencies as well as in rupees. All these facilities from a single source enabled influential industrialists, and particularly those on ICICI's Board of Directors, to raise the resources required for implementing large size projects in capital-intensive and sophisticated engineering and chemical groups of industries during the Second and Third Plan periods.

Analysis of Financial Assistance

14. We now turn to the analysis of the financial assistance extended by ICICI during the period under reference. The analysis of the operations of ICICI relate to assistance granted by it during the eleven years period from January 1956 to December 1966. The total assistance sanctioned and disbursed by the Corporation and assistance outstanding at the end of December 1966 is shown below:-

Nature of Assistance	No. of companies	(Rs. crores)		
		Sanctioned	Disbursed	Outstanding as at the end of December 1966
1	2	3	4	5
Loans				
1. Rupee	III	33.84 (19.7)	24.96 (21.9)	20.48 (22.4)
Foreign currency	294	103.56 (60.2)	70.82 (62.2)	55.35 (60.7)
Underwriting				
3. Shares	III	17.86 (10.4)	9.05 (8.0)	8.49 (9.4)
4. Debentures	28	10.07	4.48	4.32
Direct subscription				
5. Shares	42	3.88 (2.3)	3.68 (3.2)	2.56 (2.8)
6. Debentures	1	0.50 (0.3)	0.50 (0.4)	—
7. Guarantees	2	2.26 (1.3)	—	—
8. Total (1 to 7)	490*	171.96** (100)	113.84** (100)	91.20** (100)

Figures in brackets are percentages to total.

*Include companies which received more than one type of assistance.

**Include assistance to public sector undertakings.

15. During the period under review the ICICI assisted, in various ways, 425 companies through 640 applications for an aggregate sum of Rs. 172.0 crores. Of this rupee assistance in various ways was Rs. 68.4 crores and foreign currency loans Rs. 103.6 crores. Almost 80 per cent of its total assistance was in the form of loans. Rupee loans accounted for Rs. 33.8 crores or 19.7 per cent and foreign currency loans Rs. 103.6 crores or 60.2 per cent. Next in importance was underwriting. The amount underwritten (Rs. 27.9 crores) formed 16.3 per cent of its total assistance. Direct subscription formed a small part of ICICI's operations. The total amount disbursed by the Corporation during the 11 years aggregated Rs. 113.8 crores. Through a policy of gradually and prudently selling its investment the Corporation was expected to help in the process of broadening the investment market and in the building up of an active stock market. However, underwriting outstanding as percentage of underwriting disbursed formed 92.2 per cent. The total amount of assistance outstanding at the end of December 1966 was Rs. 91.2 crores.

Pattern of Distribution
of Assistance

16. The table below shows the distribution of assistance sanctioned by the Corporation as between large houses and others.

(Rs. crores)									
	No. of Com- panies	Loans		Undertakings		Direct Subs		Guaran- tees	Total
		Rupee	Foreign currency	Shares	Deben- tures	Shares	Deben- tures		
1	2	3	4	5	6	7	8	9	10
1. Large Industrial houses.	167 (39.3)	14.91 (44.1)	55.11 (53.2)	7.47 (41.8)	6.67 (66.2)	1.27 (32.7)	—	—	85.42 (49.7)
2. Second tier companies	10 (2.4)	1.54 (4.6)	0.78 (0.3)	0.86 (4.8)	—	0.04 (1.0)	—	2.03 (89.8)	5.24 (3.0)
3. 20 Larger houses	87 (20.5)	7.24 (21.4)	28.73 (27.7)	5.92 (33.1)	4.82 (47.3)	0.60 (15.5)	—	—	47.31 (27.5)
4. Foreign controlled Companies	9 (2.1)	3.26 (9.6)	0.68 (0.7)	0.28 (1.6)	0.10 (1.0)	0.16 (4.1)	—	—	4.47 (2.6)
5. Large Independent companies.	21 (4.9)	3.75 (11.1)	8.13 (7.9)	1.59 (8.9)	3.20 (31.8)	1.13 (29.1)	0.50 (100)	—	18.31 (10.6)
6. Others	218 (51.3)	10.38 (30.6)	38.86 (37.4)	7.66 (42.9)	0.10 (1.0)	1.28 (33.1)	—	0.23 (10.2)	58.52 (34.1)
7. All Companies	425 (100)	33.84 (100)	103.56 (100)	17.86 (100)	10.07 (100)	3.88 (100)	0.50 (100)	2.26 (100)	171.96 (100)

Figures in brackets are percentages to total.

17. Of the total assistance of Rs. 172.0 crores in respect of 425 companies sanctioned by the ICICI, through 640 applications, 167 companies controlled by large industrial houses accounted for Rs. 85.4 crore through 258 applications and formed 49.7 per cent. Together with associate companies assistance sanctioned by the ICICI to large house companies accounted for more than half of total assistance. There were 87 companies of the larger houses which obtained Rs. 47.3 crores or 27.5 per cent through 138 applications. It accounted for more than 55 per cent of the assistance to all large houses. Another category of companies which received significant assistance was large independent companies.

18. Between different categories of assistance, all large industrial houses including their second tier companies accounted for 54 per cent of which 17 larger houses accounted for 27.7 per cent, and large independent companies secured about 8 per cent of the total foreign currency loans. In respect of underwriting of shares, while all large house companies including second tier companies accounted for 46.6 per cent, a substantial portion (33.1 per cent) was obtained by 17 larger houses. Sixty six per cent of the underwriting assistance in the form of debentures went to large house companies and together with independent large companies accounted for almost the total underwriting in debentures. The larger houses accounted for 47.8 per cent. In the case of direct subscription to shares of companies all large houses including second tier companies accounted for slightly over one-third (33.7 per cent) followed by large independent companies, 29.1 per cent. The entire assistance by way of direct subscription to debentures was to large independent companies.

19. The table below gives the house-wise distribution of ICICI's assistance to those large houses which received one per cent or more of the total assistance sanctioned by the Corporation.

(Amount in Rs. lakhs)									
Industrial House	No. of Companies	Loans		Underwriting		Direct Subscriptions		Guarantees	Total
		Rupee	Foreign currency	Shares	Debentures	Shares	Debentures		
1	2	3	4	5	6	7	8	9	10
A. Larger Houses									
1. A.C.C	1	100	286	—	90	—	—	—	476 (2.8)
2. Andrew Yule	3	20	80	24	50	15	—	—	189 (1.1)
3. Bangur	7	57	135	85	—	—	—	—	277 (1.6)

(Amount in Rs. lakhs)

Industrial House	No. of Companies	Loans		Underwriting		Direct Subscriptions		Guarantees	Total
		Rupee	Foreign currency	Shares	Debentures	Shares	Debentures		
1	2	3	4	5	6	7	8	9	10
4. Birla	19	206	430	210	13	7	—	—	866 (5.0)
5. Mafatlal	11	140	350	60	15	—	—	—	565 (3.3)
6. Sarabhai	3	40	206	—	—	—	—	—	246 (1.4)
7. Scindia	1	—	339	—	—	—	—	—	339 (2.0)
8. Tata	15	50	390	62	159	8	—	—	669 (3.9)
9. Thapar	2	40	87	—	50	—	—	—	177 (1.0)
10. Walchand	5	—	102	90	—	20	—	—	212 (1.2)
11. Sub Total	67 (15.8)	653 (19.3)	2405 (23.2)	531 (29.7)	377 (37.4)	50 (12.9)	—	—	4016 (23.4)
B. Other Large Houses									
12. Bajaj	4	15	326	8	—	—	—	—	349 (2.0)
13. Kasturbhai	10	60	281	7	—	—	—	—	348 (2.0)
14. Khatau	4	85	335	—	—	10	—	—	430 (2.5)
15. Kirloskar	5	29	223	35	—	—	—	—	287 (1.7)
16. Mahindra and Mahindra	3	75	158	55	—	12	—	—	300 (1.7)
17. Seshasayee	3	70	178	—	—	—	—	—	248 (1.4)
18. Sub Total	29 (6.8)	334 (9.9)	1501 (14.5)	105 (5.9)	—	22 (5.7)	—	—	1962 (11.4)
19. Total (A + B)	96 (22.6)	987 (29.2)	3906 (37.7)	636 (35.6)	377 (37.4)	72 (18.6)	—	—	5978 (34.8)
C. Second Tier									
20. Parry	1	—	—	75	—	—	—	203	278 (1.6)
21. Total (A+B+C)	97 (22.8)	987 (29.2)	3906 (37.7)	711 (39.8)	377 (37.4)	72 (18.6)	—	203 (89.8)	6256 (36.4)
22. All Large houses	167 (39.3)	1491 (44.1)	5511 (53.2)	747 (41.8)	667 (66.2)	127 (32.7)	—	—	8542 (49.7)
23. All Companies	425 (100)	3384 (100)	10356 (100)	1786 (100)	1007 (100)	388 (100)	50 (100)	226 (100)	17196 (100)

Figures in brackets represent percentage to total.

20. It will be seen that of the total assistance of Rs. 85.4 crores extended to all large houses in respect of 167 companies, 16 large houses through 96 companies received Rs. 59.8 crores accounting for 70 per cent of the assistance to all large houses and 34.8 per cent of the total assistance. Housewise, Birla topped the list with 8.7 crores or 5.0 per cent followed by Tata Rs. 6.7 crores (3.9 per cent), Mafatlal Rs. 5.7 crores (3.3 per cent) and ACC Rs. 4.8 crores (2.8 per cent). These 4 large houses secured 15.0 per cent of the total assistance of the Corporation in respect of 46 companies as compared to Rs. 172.0 crores of the total assistance sanctioned by the Corporation to 425 companies.

Size-wise Analysis of Assistance

21. It would be interesting to analyse the groupwise distribution of assistance sanctioned by the Corporation according to size of assistance. The table below shows size-wise distribution of number of applications and amount of *rupee loans* sanctioned by the Corporation.

(Amount in Rs. lakhs)

Size-range (Rs. lakhs)	All Rupee Loans		All Large Houses		20 Larger Houses		Foreign Controlled Companies		Large Independent Companies		Others	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Upto 10	53 (37.3)	320 (9.5)	7	47	1	6	—	—	—	—	46	273
2. 10—20	32 (22.5)	511 (15.1)	11	185	6	100	2	26	1	20	18	280
3. 20—30	26 (18.4)	683 (20.2)	12	309	7	185	3	85	—	—	11	289
4. 30—50	19 (13.4)	821 (24.3)	11	481	4	165	1	50	—	—	7	290
5. 50—75	8 (4.2)	394 (11.6)	4	259	1	59	—	—	1	75	1	60
6. 75—100	4 (2.8)	380 (11.2)	1	100	1	100	—	—	3	280	—	—
7. 100—150	1 (0.7)	110 (3.3)	1	110	1	110	—	—	—	—	—	—
8. Above 150	1 (0.7)	165 (4.9)	—	—	—	—	1	165	—	—	—	—
9. Total	142	3384	47	1491	21	724	7	325	5	375	90	1193

22. Of the total rupee loans of Rs. 33.8 crores sanctioned by the Corporation in respect of 142 applications, Rs. 23.4 crores or 69 per cent were granted in respect of 130 applications for loans below Rs. 50 lakhs. In the size-range of above Rs. 50 lakhs, Rs. 10.5 crores or 31 per cent were sanctioned to 12 applications. It will be observed that more than 80 per cent of the assistance in the higher size-ranges (above

Rs.50 lakhs) was accounted for by large houses/large independent companies. There was only one application in the size range of above Rs. 150 lakhs from a foreign controlled company. It is significant to note that the group of others did not have any assistance sanctioned to them in the size ranges of above Rs. 75 lakhs. This shows that the average size of a loan to large house applicants was considerably higher than that to other companies.

23. In the case of ICICI foreign currency loans formed more than 60 per cent of its total assistance. The table below shows size-wise distribution of *foreign currency loans* together with the number of loans applications.

(Amount in Rs. lakhs)

Size-range (Rs. lakhs)	All Foreign Currency Loans		Large Industrial Houses		20 Larger Houses		Large Independent Companies		Others	
	Rs.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9	10	11
1. Upto 10	116 (31.4)	749 (7.2)	41	258	23	156	2	12	73	479
2. 10 to 20	92 (24.9)	1314 (12.7)	33	486	17	232	5	60	54	768
3. 20 to 30	46 (12.5)	1090 (10.5)	20	497	7	176	3	64	23	529
4. 30 to 50	46 (12.5)	1808 (17.5)	26	1036	13	520	4	150	16	622
5. 50 to 75	45 (12.2)	2817 (27.2)	27	1724	17	1085	5	302	13	791
6. 75 to 100	10 (2.7)	866 (8.4)	6	512	3	258	1	99	3	255
7. 100 to 150	12 (3.3)	1372 (13.2)	6	659	1	107	1	126	5	587
8. Above 150	2 (0.5)	339 (3.3)	2	339	2	339	—	—	—	—
9. Total:	369 (100)	10356 (100)	161	5511	83	2873	21	813	187	4032

Figures in brackets are percentages to total.

Of the total foreign currency loans of Rs. 103.6 crores sanctioned by the Corporation about Rs. 50 crores or 48 per cent was accounted for by applications for small amounts upto Rs. 50 lakhs. Of the total assistance of Rs. 53.9 crores in the size-range of above Rs. 50 lakhs, large house companies and large independent companies accounted for the bulk, claiming Rs. 37.6 crores or 70 per cent. Large house applications secured total foreign currency loans aggregating Rs. 55.11

crores through only 161 applications against Rs. 40.3 crores secured through 187 applications by others which shows that the loan to the large house applicants was higher.

24. The following table shows sizewise distribution of the *underwriting assistance* granted by the Corporation.

Amount in Rs. lakhs								
Size-range (Rs. lakhs)	Total Underwriting		Large Industrial Houses		20 Larger Houses		Others	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9
1. Upto 5 Shares	32	128	1	5	—	—	31	123
	(27.6)	(7.2)						
Debentures	—	—	—	—	—	—	—	—
2. 5 to 10 Shares	36	305	6	51	3	27	30	254
	(31.0)	(17.1)						
Debentures	75	50	3	30	1	10	2	20
	(16.1)	(5.0)						
3. 10 to 20 Shares	21	332	7	127	5	92	14	205
	(18.1)	(18.6)						
Debentures	7	118	6	98	5	83	1	20
	(22.6)	(11.7)						
4. 20 to 30 Shares	16	436	9	244	7	189	7	192
	(13.8)	(24.4)						
Debentures	7	185	5	135	3	85	2	50
	(22.6)	(18.4)						
5. 30 to 40 Shares	3	15	2	75	1	40	1	40
	(2.6)	(6.4)						
Debentures	3	114	3	114	3	114	—	—
	(9.7)	(11.3)						
6. 40 to 50 Shares	6	294	3	145	3	145	3	148
	(5.2)	(16.5)						
Debentures	7	350	4	200	2	100	3*	150*
	(22.6)	(34.7)						
7. Over 50 Shares	2	175	1	100	1	100	1	75
	(1.7)	(9.8)						
Debentures	2	190	1	90	1	90	1*	100*
	(6.4)	(18.9)						
8. Total Shares	116	1786	29	747	20	592	87	1037
	(100)	(100)						
Debentures	31	1007	22	667	15	482	9	340
	(100)	(100)						

Figures in brackets indicate respective percentages to total underwriting of shares and debentures,
*Relate to Large independent companies.

25. The sizewise distribution of underwriting facilities in respect of shares granted by the Corporation showed that 11 applications for underwriting of share in the size ranges exceeding Rs. 30 lakhs secured underwriting for Rs. 5.84 crores, forming almost one-third of the total. Debenture-underwriting showed greater concentration in the higher ranges of Rs. 30 lakhs and above which absorbed Rs. 6.54 crores or 54.9 per cent through 12 applications.

26. In the case of underwriting of shares through 7 applications in size-range of over Rs. 30 lakhs, large houses obtained Rs. 3.15 crores out of total assistance of Rs. 7.47 crores to all large houses. In the non-large house other companies the number of applications were concentrated in the lower size-ranges upto Rs. 10 lakhs which accounted for 61 applications (out of 68 applications for all companies) for Rs. 3.77 crores. A notable feature that emerges from the analysis of debenture underwriting is that debenture financing was resorted to mainly by large independent companies and companies belonging to one of the large houses indicating perhaps that only established large concerns could venture to issue debentures.

**Assistance to Director
Interested Companies**

27. The table below gives financial assistance sanctioned by the ICICI to companies in which its directors were interested.

(Rs. lakhs)						
Name of Group	No. of Com- panies	Loans		Under- writing	Direct Subscrip- tions.	Total
		Rupee	Foreign Currency			
1	2	3	4	5	6	7
Large Houses						
1. A. C. C.	1	100	286	90	—	476 (2.8)
2. Birla	6	70	188	140	7	405 (2.4)
3. Scindia	1	—	339	—	—	339 (2.0)
4. Tata	5	—	138	115	—	253 (1.5)
5. Sub Total	13 (3.0)	170 (5.0)	951 (9.2)	345 (12.4)	7 (1.8)	1473 (8.6)
6. All larger houses	15 (3.5)	170 (5.0)	1060 (10.2)	375 (13.4)	7 (1.8)	1605 (9.3)
Other Large houses						
7. Kasturbhai	7	60	235	—	—	295 (1.7)
8. Khatau	3	75	311	—	10	396 (2.3)

(Contd. on next page)

	1	2	3	4	5	6	7
9. Suo Total		10 (2.3)	135 (4.0)	546 (5.3)	—	10 (2.6)	691 (4.0)
10. All large houses		34 (8.0)	400 (11.8)	1833 (17.8)	400 (14.3)	22 (5.7)	2655 (15.4)
11. Large Independent Companies		8 (1.9)	100 (3.0)	109 (1.0)	154 (5.5)	—	363 (2.1)
12. Other Companies		5 (1.2)	67 (2.0)	191 (1.8)	55 (2.0)	85 (21.9)	398 (2.3)
13. Total		47 (11.1)	567 (16.8)	2133 (20.6)	609 (21.8)	107 (27.6)	3416 (19.9)
14. All companies		425 (100)	3384 (100)	10356 (100)	2792 (100)	438 (100)	17196* (100)

Figures in brackets relate to percentage to total.

*Includes guarantee assistance of Rs.2.26 crores.

28. Of the 425 companies assisted by the ICICI, directors were interested in 47 companies (or 11.1 per cent) and assistance sanctioned to these companies amounted to Rs. 34.2 crores or 19.9 per cent of the total. These companies accounted for 16.8 per cent of rupee loans; 20.6 per cent of foreign currency loans, 21.8 per cent of underwriting and 27.6 per cent of direct subscription. Of the 47 companies in which directors were interested 34 companies belonged to large houses, 8 companies were large independent companies and only 5 companies belonged to 'others' category. More than three-fourths of the assistance to director interested companies was to the 34 companies belonging to large houses. 13 companies belonging to larger 4 houses secured Rs. 14.7 crores and formed 43.1 per cent. The large independent companies claimed another 10.6 per cent of total assistance to director-interested companies. House-wise, ACC had the largest share with Rs. 4.8 crores, followed by Birla with Rs. 4.1 crores and Scindias Rs. 3.4 crores.

29. As some of the directors of the ICICI are leading members of large houses what matters really is not the quantum of assistance sanctioned to the companies in which they were directly interested but its total assistance to all the companies of the group. It must, however, be remembered that in the earlier years also some large house directors may have exercised their influence on the ICICI's operations in favour of companies of their house. However, the table below shows the financial assistance sanctioned by the ICICI in respect of all the group companies with which members of its Board of Directors in 1966 had affiliation.

(Rs. lakhs)

Name of Group	No. of Companies	Loans		Underwriting		Direct Subscriptions		Guarantees	Total
		Rupee	Foreign Currency	Shares	Debentures	Shares	Debentures		
1	2	3	4	5	6	7	8	9	10
1. Tube Investment Murugappa Chettiar	2	115	43	—	—	—	—	—	158 (0.9)
2. Tata	15	50	390	62	159	8	—	—	669 (3.9)
3. Birla	19	206	430	210	13	7	—	—	866 (5.0)
4. Kasturbhai	10	60	281	7	—	—	—	—	348 (2.0)
5. Khatau	4	85	335	—	—	10	—	—	430 (2.5)
6. Goenka	3	—	122	—	—	—	—	—	122 (0.7)
7. Thapar	2	40	—	—	50	—	—	—	92 (0.5)
8. Sub Total	55	556 (16.4)	1601 (15.4)	279 (15.6)	222 (22.0)	25 (6.4)	—	—	2683 (15.6)
9. All companies	425	3384 (100)	10356 (100)	1786 (100)	1007 (100)	388 (100)	50 (100)	226 (100)	17196 (100)

Figures in brackets are percentages to total.

30. It will be seen that there were 55 companies of 7 large houses which were represented on the ICICI's Board of Directors in 1966 and the aggregate assistance sanctioned to these companies amounted to Rs. 26.83 crores or 15.6 per cent of its total assistance. The single largest recipient of its assistance were 19 companies of the Birlas which secured Rs. 8.66 crores or 5 per cent, followed by 15 companies of the Tatas, securing Rs. 6.69 crores or 3.9 per cent. These two large house companies among themselves secured 8.9 per cent or slightly less than one-tenth of the ICICI's total assistance.

Analysis of Rejected Application

31. The element of favour shown by the financial institutions to large house concerns would be more evident from the analysis of applications rejected by the financial institutions. In the case of the ICICI it must also be remembered that as the Corporation does not have a set form of application for financial assistance a number of applicants may have been discouraged and turned out at the stage of informal discussions. Such applications would not figure in the data on rejected applications. Inferences drawn from this data, therefore, would tend to underplay the actual position regarding rejections. The

following table shows distribution of rejected applications according to the size of amount applied for.

Size-range (Rs. lakhs)	Total	Number of Rejected Applications			
		Large Industrial Houses	20 Larger Houses	Large Independent Companies	Others
1	2	3	4	5	6
1. Up to 10	10	—	—	—	10
2. 10 — 20	11	1	—	—	10
3. 20 — 30	3	1	—	—	2
4. 30 — 50	13	5	3	1	7
5. 50 — 75	2	1	—	—	1
6. 75 — 100	3	1	—	—	2
7. 100 — 150	1	—	—	—	1
8. Above 150	2	—	—	—	2
9. Total	45 (100)	9 (20.0)	3 (6.0)	1 (2.2)	35 (77.8)

Figures in brackets are percentages to total.

32. The total number of applications rejected by ICICI during the eleven years from 1956 to 1966 were 45. Only 20 per cent of the applications rejected belonged to large houses. More than three-fourths of the rejected applications were from the category of 'others'.

Project cost Analysis

33. Data on project cost would give us an idea as to how the entrepreneurs proposed to finance their projects and also as to the contribution of ICICI to the project cost. The following table indicates the total cost of the projects assisted by ICICI.

Source of Funds	(Amount in Rs crores)						
	Large Industrial Houses	Second Tier Companies	20 Larger Houses	Foreign Controlled Companies	Large Independent Companies	Others	Total
	167	10	87	9	21	218	425
1	2	3	4	5	6	7	8
1. Shares	102.13 (16.1)	12.45 (26.9)	66.27 (15.4)	9.09 (40.6)	18.81 (9.2)	100.00 (34.2)	240.48 (20.4)
2. Loans	185.51 (29.2)	25.06 (54.05)	119.36 (27.3)	6.81 (30.4)	46.28 (25.3)	105.03 (39.9)	368.64 (31.3)
3. Debentures	52.17 (8.2)	0.22 (0.5)	41.02 (9.4)	0.50 (2.2)	40.75 (22.3)	0.70 (0.2)	94.34 (8.0)
4. Deferred payments	19.42 (3.1)	—	13.86 (3.2)	6.00 (0.3)	6.79 (3.7)	10.42 (3.6)	36.69 (3.1)
5. Other sources	275.60 (43.4)	8.62	195.15 (44.7)	5.90 (26.4)	71.84 (39.4)	76.72 (26.2)	438.70 (37.2)
6. Total project Cost	634.85 (100)	46.36 (100)	436.70 (100)	22.38 (100)	182.44 (100)	292.82 (100)	1178.85 (100)
7. ICICI's Assistance	7.73	0.89	6.52	0.44	2.72	8.94	21.74
(i) Shares	(1.2)	(1.9)	(1.5)	(2.0)	(1.5)	(3.1)	(1.8)
(ii) Loans	70.02 (11.0)	2.32 (5.0)	35.97 (8.2)	3.93 (17.6)	11.89 (6.5)	49.25 (16.8)	137.40 (11.7)

1	2	3	4	5	6	7	8
Loans of which	55.11	0.78	28.73	0.68	8.13	38.86	103.56
in fore-	(8.7)	(1.7)	(6.6)	(3.0)	(4.5)	(13.3)	(8.8)
ign currencies							
(iii) Debentures	6.67	—	4.82	0.10	3.70	0.10	10.56
	(1.1)		(1.1)	(0.4)	(2.0)	(—)	(0.9)
(vi) Guarantees	—	2.03	—	—	—	0.23	2.26
		(4.4)				(0.1)	(0.2)
8. Total	85.42	5.24	47.31	4.47	18.31	58.52	171.96
(i to iv)	(13.4)	(11.3)	(10.8)	(20.0)	(10.0)	(20.0)	(14.6)

Figures in bracket are percentages to total.

Figures within brackets under column headings are number of companies.

34. The ICICI has extended assistance to 425 companies aggregating Rs. 171.96 crores upto the end of December 1966. The total estimated investment in plant, machinery and for the acquisition of other fixed assets in the projects of the ICICI-assisted companies aggregated Rs. 1178.85 crores. Its assistance constituted 14.6 per cent of the total project cost. In the case of other companies and foreign controlled companies, the contribution of the Corporation to the project-cost formed one-fifth of the total. Its share in the project cost of large houses was 13.4 per cent; this assistance enabled large houses to execute projects involving total capital outlay of Rs. 634.85 crores, which formed about 54 per cent of the cost of all projects.

35. In the case of a large number of companies however, the Corporation had sanctioned only foreign currency loans to meet the cost of imported capital goods. This would be clear from the fact that Rs. 55.11 crores constituting 64.5 per cent of the total assistance was in form of foreign currency loans. In fact, till 1958 the ICICI was the only institution with foreign currency resources and even now it remains the main source of loans in foreign currencies for investment in private sector. In a large number of projects which only required foreign currency loans the details about sources of funds to implement the projects were not relevant. This was also true for comparatively small expansion programme or loans for balancing equipment or diversification of production to existing companies. We have, therefore, given detailed analysis of project cost and its proposed means of financing in respect of 173 companies for which details of sources of funds were available in the following table.

Source of Funds	(Rs. crores)						
	Large Industrial Houses (43)	Second Tier (5)	20 Larger Houses (17)	Foreign Controlled Companies (7)	Large Independent Cos. (5)	Others (113)	Total (173)
1	2	3	4	5	6	7	8
1. Shares	59.75 (37.0)	9.69 (25.3)	33.19 (35.7)	8.89 (41.9)	5.93 (9.6)	60.74 (40.5)	145.00 (33.5)

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	1	2	3	4	5	6	7	8
2. Debentures	0.08 (0.5)	0.22 (0.6)	0.20 (0.2)	0.50 (2.4)	28.00 (45.4)	0.30 (0.2)	29.82 (6.9)	
3. Loans	59.54 (36.9)	22.67 (59.2)	32.74 (35.3)	6.42 (30.2)	20.82 (33.8)	46.42 (30.9)	155.87 (36.0)	
4. Deferred Payments	7.78 (4.8)	7.69 (8.3)	7.69 (8.3)	0.06 (0.3)	3.64 (5.9)	7.75 (5.2)	19.23 (4.4)	
5. Other sources	33.70 (20.9)	5.76 (15.0)	19.03 (20.5)	5.36 (25.2)	3.29 (5.3)	34.90 (23.2)	83.01 (19.2)	
6. Total project cost	161.57 (100)	38.34 (100)	92.85 (100)	21.23 (100)	61.68 (100)	150.11 (100)	432.93 (100)	
CONTRIBUTION OF PROMOTERS/COLLABORATORS								
1. Promoters	20.26 (12.5)	4.71 (12.3)	11.98 (12.9)	4.82 (22.7)	2.34 (3.8)	21.51 (14.3)	53.64 (12.4)	
2. Collaborators	9.82 (6.1)	0.06 (0.2)	5.79 (6.2)	11.93 (9.1)	3.59 (5.8)	4.65 (3.1)	20.05 (4.6)	
3. Total (1 2)	30.08 (18.6)	4.77 (12.4)	17.77 (19.1)	6.75 (31.8)	5.93 (9.6)	26.16 (17.4)	73.69 (17.0)	
GOVERNMENT ASSISTANCE								
1. Shares	1.50 (0.9)	—	1.50 (1.6)	—	0.45 (0.7)	0.55 (0.4)	2.50 (0.6)	
2. Loans	3.38 (2.1)	—	3.28 (3.5)	—	—	—	3.38 (0.8)	
3. Total (1 2)	4.88 (3.0)	—	4.73 (5.1)	—	0.45 (0.7)	0.55 (0.4)	5.88 (1.4)	
ICICI's CONTRIBUTION								
1. Rupee	7.12 (4.4)	0.75 (2.9)	2.68 (2.9)	3.00 (14.1)	0.20 (0.3)	6.53 (4.4)	17.60 (4.1)	
2. Foreign Currency UNDER WRITING	13.72 (8.5)	0.45 (1.2)	3.13 (3.4)	0.48 (2.3)	2.12 (3.4)	20.70 (13.8)	37.47 (8.7)	
3. Shares	4.78 (3.0)	0.78 (2.0)	3.33 (3.6)	0.36 (1.7)	0.60 (0.9)	5.12 (3.4)	11.64 (2.7)	
4. Debentures	0.60 (0.4)	—	0.60 (0.6)	—	1.00 (1.6)	0.10 (0.1)	1.70 (0.4)	
DIRECT SUBSCRIPTION								
5. Shares	0.48 (0.3)	—	0.22 (0.2)	0.26 (1.2)	0.20 (0.3)	1.01 (0.7)	1.95 (0.5)	
6. Debentures	—	—	—	—	0.50 (0.8)	—	0.50 (0.1)	
7. Guarantees	—	2.03 (5.3)	—	—	—	—	2.03 (0.5)	
Total (1 to 7)	26.70 (16.5)	4.01 (10.5)	9.96 (10.7)	4.10 (19.3)	4.62 (7.5)	33.46 (22.3)	72.89 (16.8)	

Figures in brackets are percentages to total.

Figures within brackets under column headings are number of Companies

36. The total project-cost of project of 173 selected companies aggregated Rs. 432.93 crores. In this, ICICI's contribution of Rs. 72.89 crores formed 16.8 per cent of the total—more than half of its assistance was in foreign currency loans. Direct assistance from Government to the cost of these projects was of Rs. 5.88 crores forming 1.4 per cent of the total. Thus, the contribution of the ICICI and Government to the financing of these projects formed 18.2 per cent or a little less than one-fifth as compared to 17 per cent from the promoters and their collaborators.

APPENDIX VI-A (3)

INDUSTRIAL DEVELOPMENT BANK OF INDIA



सत्यमेव जयते



सत्यमेव जयते

APPENDIX GI-A (3)

INDUSTRIAL DEVELOPMENT BANK OF INDIA

1. The Industrial Development Bank of India (IDBI) was established in July, 1964 under the IDBI, Act, 1964. This Institution has a special place in the institutional machinery for provision of industrial finance in India. The then existing financial institutions, viz., IFCI, ICICI, SFCs and the Refinance Corporation for Industry Ltd. sought to serve the increasing financial needs of industrial growth in the private sector. It was, however, felt that in relation to the investment needs likely to arise for industrial development in future "the totality of contribution of these institutions appeared to be insufficient both in magnitude and in range of financing". (The IDBI—Purposes, Set-up and Policies, p. 2)

Functions and Organisation

2. The IDBI was set up under a separate statute with the main object to reorganise and integrate the structure of industrial financing institutions in the country. This institution supplements and augments the resources of the existing term—financing institutions as well as those of the short-term credit agencies, viz., commercial and co-operative banks, for term-lending. It thus incorporated in itself the functions of the former Refinance Corporation for Industry Ltd., which was therefore merged with it. The IDBI also provides assistance to industrial concerns directly, and especially in participation with other financial institutions. In fact, the Bank has been designed and empowered to function, not merely as a financing institution but also as developmental agency for planning, promoting and developing industries to fill up gaps in the industrial structure of the country. While introducing the IDBI Bill in the Parliament the then Finance Minister stated "we are envisaging the new Industrial Development Bank as a central co-ordination agency, which ultimately will be concerned, directly or indirectly, with all problems or questions relating to the long and medium term financing of industry, and will be in a position, if necessary, to adopt and enforce a system of priorities, in promoting future industrial growth".

3. The authorised capital of the Bank is Rs. 50 crores, which may be raised to Rs. 100 crores with Government approval. The issued and paid-up capital of the Bank is Rs. 20 crores entirely subscribed by the Reserve Bank. This has been supplemented by long-term interest-free loan of Rs. 10 crores from the Central Government, repayable in 15 annual instalments after a period of 15 years or later if necessary at the request of the Bank. The Central Government has granted further loans to meet its requirements of funds. The IDBI is

dium-term periods. It may also borrow from the National Industrial Credit (Long-term Operations) Fund set up by the Reserve Bank for that purpose. Apart from this the Development Bank is also authorised to sell bonds (with or without Government guarantee), accept deposits from the public and borrow from other sources with Government approval, including loans in foreign currencies, and receive gifts, grants, or donations.

4. As a wholly-owned subsidiary of the Reserve Bank the direction and management of its affairs vest in a Board of Directors, which is the same as the Central Board of the Reserve Bank. The Governor of the RBI is the Chairman of the IDBI and its Vice-Chairman is one of the Deputy Governors of the Bank. The Board has constituted an Executive Committee to discharge some of its functions. After the establishment of the IDBI the strength of the Central Board of the Reserve Bank has been increased from 15 to 20 members.

5. The provisions regarding the functions of the IDBI are considerably broader and more flexible than those of other term-financial institutions in the country. It is authorised to finance all types of industrial concerns, whether in the public or private sector. Unlike the existing statutory corporations (viz., the IFCI and SFCs), the statute of the IDBI does not contain any restrictive provisions regarding the nature and type of security that may be accepted from the industrial concerns assisted. As it has to deal with a variety of lending institutions and directly assist large scale enterprises in newly developing sophisticated and capital-intensive industries, no upper or lower limits for assistance to concerns or their size have been laid down.

6. The activities of the IDBI can be divided into two broad groups—(i) assistance to financial institutions and (ii) direct assistance to industrial concerns. The first group covers such activities as refinancing of loans given by other institutions specified in the Act or subsequently notified by the Government; subscribing to their shares and bonds; and rediscounting of bills arising from sale of machinery on deferred payment terms and medium-term export credits granted by eligible credit institutions to exporters. Direct financial assistance by the IDBI is given to industrial concerns in various ways in which institutions like the IFCI and ICICI normally give, viz., granting of loans and advances, subscribing to, purchasing or underwriting the issue of stocks, shares, bonds or debentures; guaranteeing deferred payments due from industrial concerns to third parties and loans raised by them in the open market or from financial institutions. Participation with other institutions in granting loans or underwriting is an important feature of the IDBI's operations, especially when funds required are large.

7. A distinctive feature of the IDBI Act is that it provides for setting up a special fund, viz., the Development Assistance Fund (DAF). This fund was set up by the Bank in March, 1965. The re-

sources of this fund consist of loans received from the Central Government. The DAF is meant for granting assistance with prior approval of the Central Government to such industrial concerns, which cannot raise resources on normal terms and conditions due to heavy investment involved or low anticipated rate of return, but are necessary in the interest of industrial development of the country.

8. In considering the applications for financial assistance the approach of the IDBI is flexible. As a rule, having regard to its apex character the Bank prefers to meet the relatively small requirements of industrial concerns through refinancing of loans granted by other institutions. Assistance to large projects is considered in participation with other institutions with which the Bank maintain close working relationship for appraising projects. For this purpose it initiated in September, 1965, informal inter-institutional meetings of senior executives of the term-financing institutions, the LIC, the UTI and the SBI for speedy consideration of applications for joint assistance, for devising procedures for quicker disbursal of the assistance sanctioned and such other common problems. The Bank has set up panels of technical advisers on important industries to help it in the appraisal of projects which come up for its assistance.

Policy Objectives

9. The IDBI is the latest of the specialised financial institutions set up by Government to provide medium and long-term finance to industries in fulfilment of the basis policy to foster such institutions. The statutory provisions regarding the functions of the IDBI are considerably broader and more flexible than those of the other term-financing institutions in the country. The Bank is authorised to finance all types of industrial concerns, whether in the public or private sector; its statute contains no restrictive provisions regarding the nature and type of security that may be accepted by it for assistance granted to industrial concerns, nor does it contain any restrictions regarding the form its assistance can take. The IDBI can grant loans and advances, purchase, subscribe or underwrite issues of shares and debentures, guarantee deferred payments and loans etc. The role of the IDBI as an apex institution in the field of industrial finance has been conceived as one of enlarging and augmenting the resources of existing term-lending institutions as well as the short-term credit agencies, viz., banks, for term-lending through loans or subscriptions to shares and bonds issued by other institutions or by refinancing of loans to industrial concerns granted by them or by rediscounting bills etc., so as to achieve the investment targets in the private industrial sector. The Bank is also empowered to function, not merely as a financial institution but also as a developmental agency for planning, promoting and developing industries to fill up gaps in the industrial structure of the country. The IDBI, thus, is visualised as an agency to reorganise and integrate the structure of industrial financing institutions and act as an important financial instrument in the machinery of planned development.

10. However, during the last four years after its establishment the IDBI has mainly concentrated on its refinancing function of augmenting the resources of other institutions and on granting direct loans to, and underwriting public issues of shares and debentures of industrial concerns in the private sector. The IDBI's direct assistance is restricted only to the public limited companies; other type of industrial concerns are assisted by it mainly through its refinancing facilities and by augmenting resources of other institutions. It has not yet assumed the developmental functions to fill in gaps in the industrial structure and to cater to the financial requirements of public sector industrial projects.

11. In November, 1965, the IDBI reviewed its policies regarding direct assistance and refinance assistance in the light of its experience in the first year, its role as an apex institution in the field of term-finance and in the context of the state of emergency in the country after Pakistan's attack. The following were the main objectives of its operational policies:

(i) Assistance to large number of small projects may be arranged more adequately by other institutions whose resources could suitably be augmented by the IDBI by contribution to share capital and bonds and/or by extension of refinancing facilities.

(ii) The IDBI would concentrate on larger projects which could not come to fruition without its assistance.

(iii) The IDBI will give special consideration to small projects (project-cost not exceeding Rs. 1 crore) promoted by technician entrepreneurs.

(iv) In special circumstances, the IDBI will consider giving direct financial assistance to small projects in the form of underwriting or loan when an approach for assistance by way of participation is made through or by any other financial institution.

(v) The question of industrial priorities was reviewed and it was considered necessary to adopt a selective approach in regard to financing of term-loans granted by banks and other eligible credit institutions to industrial units.

(vi) In considering direct financial assistance the IDBI would give preferential treatment generally to (a) defence oriented industries; (b) industries which are substantial net savers of foreign exchange and which are export-oriented; (c) industries producing essential consumer goods which have an assured base in domestic raw materials, (d) industries which provide a basis for agricultural development and further industrialisation (such as fertilisers, alloy and special steel, petro-chemicals, machine tools, heavy chemicals, cement etc.) and (e) residual financial needs of projects which are far advanced already.

12. In October 1966, the Board of Directors of the IDBI considered a detailed memorandum on the judicious use of resources of the term-financing institutions during the Fourth Plan and laid down broad guidelines for their operational policies. Apart from the main guidelines for operational policies such as industrial priorities, regional distribution of assistance etc., the memorandum has discussed the part played by the financial institutions (viz. the IFCI, the ICICI and the IDBI) in financing projects of top 20 large houses (as given by the MIC) in the Third Plan period and guidelines for policies to be adopted in this regard to prevent undue concentration of assistance to large houses. With changes in the industrial licensing policy of Government, large industrial houses have been granted licences for fertilisers, petro-chemicals, alloy and special steels etc. The large houses are now undertaking sophisticated and complex projects requiring large capital investment in these industries in technical collaboration and financial participation with large foreign companies. But their schemes of financing visualise the contribution of a large proportion of cost of these projects from Government-sponsored institutions. As an apex institution, the IDBI has assumed it as its special responsibility to develop these vital and strategic sectors. Evidently, these policies have led to the diversion of a large proportion of its financial resources to large houses.

13. Taking all the above considerations in view, the IDBI was of the opinion that the three large houses viz. Mafatlal, ACC and Birlas were far ahead of the other promoter-groups in the measure of assistance received from the IDBI and other financial institutions during the Third Plan period. This is exclusive of the assistance from the U.S. AID, which would be important for the Birla group, and from banks on a medium-term basis. The analysis of IDBI's direct financial assistance to industrial concerns is given in Section 1 and that of refinance facilities granted to other financial institutions in respect of term-loans in Section 2.

SECTION 1 - DIRECT ASSISTANCE

Direct Assistance

14. The direct financial assistance sanctioned by the Development Bank, since its inception in July 1964, upto the end of December 1966 to large houses, large independent companies and to others is shown below:

(Rs. crores)						
	No. of Compa- nies.	Loans	Underwriting		Guaran- tees	Total
			Shares	Debentures		
1	2	3	4	5	6	7
A. ASSISTANCE SANCTIONED						
1. Large Industrial Houses	21	28 55 (44.4)	6.89 (47.8)	1.00 (76.9)	1.98 (15 2)	38.42 (41.3)

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1	2	3	4	5	6	7
2. Second Tier companies	1	7.00 (10.9)	—	—	—	7.00 (7.5)
3. 20 Larger Houses	14	24.67 (38.4)	6.03 (41.9)	1.00 (76.9)	—	31.69 (34.1)
4. Foreign controlled companies	1	—	—	0.30 (23.1)	—	0.30 (0.3)
5. Large Independent companies	4	4.26 (6.6)	—	—	—	4.26 (4.6)
6. Others	44	24.41 (38.0)	7.52 (52.2)	—	11.04 (84.8)	42.98 (46.3)
7. All companies	71	64.23 (100)	14.40 (100)	1.30 (100)	13.02 (100)	92.95 (100)
B. <u>ASSISTANCE DISBURSED</u>	71	31.63	7.67	1.30	7.10	47.70
C. Assistance outstanding (as at the end of December 1966)	71	31.63	7.67	1.30	7.10	47.70

Figures in brackets are percentages

15. During the two and a half years period since its inception the IDBI granted assistance aggregating Rs. 92.95 crores to 71 companies through 76 applications. The applications. The bulk of it, Rs. 64.23 crores was in the form of loans, Rs. 14.40 crores was by way of underwriting of ordinary and preference shares, Rs. 13.02 crores was as guarantees. Against these sanctions, assistance disbursed and outstanding was Rs. 47.70 crores; a large proportion of this (Rs. 31.63 crores constituting over 66 per cent) was in the form of loans.

16. Of the total assistance sanctioned by the IDBI Rs. 38.42 crores or 41.3% was to 21 companies under the control of 12 large houses. The share of these houses was even larger in the case of loans (44.4%), underwriting of shares (47.8%) and underwriting of debentures (76.9%). A large proportion of this was in respect of 14 companies belonging to 7 larger houses; their share in total assistance was Rs. 31.69 crores or 34.1%. These companies accounted for 38.4% of loans, 41.9% of underwriting of shares and 76.9% of debenture underwriting. The combined share of large house companies, Second tier and large independent companies aggregated Rs. 49.68 crores or 53.4% of the IDBI's total assistance. As against this, 44 other companies secured Rs. 42.98 crores or 46.3% of its assistance.

17. The following table shows the share of major large houses in IDBI's total financial assistance, each accounting for 1% or more of its assistance.

(Rs. crores)

Large House	No. of Companies.	Loans	Underwriting		Guarantees	Total
			Shares	Debentures		
1	2	3	4	5	6	7
1. A.C.C.	1	5.00 (7.8)	—	—	—	5.00 (5.4)
2. Goenka	3	0.90 (1.4)	0.70 (4.9)	0.60 (46.2)	—	2.20 (2.4)
3. Birla	4	2.57 (4.0)	2.13 (14.8)	0.40 (30.8)	—	5.10 (5.5)
4. Mafatlal	3	10.40 (16.2)	3.08 (21.4)	—	—	13.48 (14.5)
5. Martin Burn	1	5.00 (7.8)	—	—	—	5.00 (5.4)
6. Parry	2	1.61 (2.5)	—	0.78 —	1.98 —	4.35 0.95
7. Seshasayee	1	0.95 (1.5)	—	(5.3)	(15.2)	(4.7) (1.0)
8. Total	15	26.43 (41.2)	5.91 (41.1)	1.76 —	1.98 —	36.08 7.00
9. Parry (Second tier)	1	7.00 (10.9)	—	(82.3)	(15.2)	38.9 (7.5)
10. All Companies	71	64.23 (100)	14.40 (100)	1.30 (100)	13.02 (100)	92.05 (100)

Figures in brackets are percentages to total

18. Among the large houses 3 companies of the Mafatlal house were the largest beneficiaries accounting for Rs. 13.48 crores or 14.5% of the IDBI's total assistance. This was followed by 3 companies of the Parry-group (including a Second tier company) which secured Rs. 11.35 crores or 12.2% of total assistance. These two large houses among themselves absorbed more than one-fourth (26.7%) of the direct financial assistance granted by the IDBI. Next in importance was the Birla-house with 5.51% of the assistance followed by 5.4% each to ACC and Martin Burn companies.

Size-wise Analysis

19. As an apex industrial financing institution, the Development Bank assists large-sized projects which may not be able to raise the financial resources required without its support. Its assistance to small and medium-sized projects would be mainly through other institutions through refinancing and rediscounting schemes. The following table shows size-wise distribution of IDBI's loan assistance.

(Rs. lakhs)						
Size - range (Rs. lakhs)	Large Indus- trial Houses	Second Tier trial House	20 Larger House	Large Indepen- dent Companies	Others	Total
1	2	3	4	5	6	7
1. Up to 10	--	--	--	--	37	37(5)
2. 10 -- 20	11	--	--	--	--	11(1)
3. 20 -- 30	60	--	--	--	95	155(6)
4. 30 -- 50	45	--	--	--	120	165(4)
5. 50 -- 75	453	--	358	60	--	186(3)
6. 75 -- 100	126	--	68	81	90	624(7)
7. 100 -- 150	410	--	290	110	125	645(5)
8. Over 150	1750	700	1750	175	1975	4600(8)
9. Total	2355 (17)	700 (1)	2467 (10)	426 (4)	2441 (17)	6423(39) (39)

Figures in brackets relate to number of applications.

20. The total loan assistance of Rs. 64.23 crores was sanctioned in respect of 39 applications. The average size of its loan works out to Rs. 1.65 crores, which is considerably higher than that for any other institution. All the 5 applications for assistance upto Rs. 10 lakhs were of other companies. The bulk of the sanctions below Rs. 50 lakhs aggregating Rs. 3.68 crores through 16 applications were in respect of these companies (Rs. 2.52 crores). At the other extreme there were 8 loan applications which accounted for Rs. 46 crores out of Rs. 64.23 crores in the highest size-range of over Rs. 1.50 crores or an average loan of Rs. 5.8 crores. A large proportion of this amount aggregating Rs. 26.25 crores was in respect of applications of larger houses, second tier and large independent companies.

21. The sizewise distribution of underwriting assistance (sharees only) sanctioned by the IDBI is shown below:

(Rs. lakhs)

Size-rang (Rs. lakhs)	Large Indus- trial Houses	20 Larger Houses	Others	Total
1	2	3	4	5
1. Up to 5	—	—	64(15)	64(15)
2. 5 — 10	10(1)	—	122(14)	132(15)
3. 10 — 20	25(2)	25(2)	95(6)	120(8)
4. 20 — 30	25(1)	25(1)	23(1)	48(2)
5. 30 — 40	38(1)	38(1)	—	38(1)
6. 40 — 50	45(1)	45(1)	98(2)	143(3)
7. Over 50	546(4)	470(3)	351(2)	897(6)
8. Total	689(10)	603(8)	752(40)	1440(50)

Figures in brackets indicate number of applications.

22. Underwriting assistance was granted to large house and other companies. The bulk of the assistance to large house companies was to larger houses Rs. 6.03 crores (out of Rs. 6.89 crores)

through 8 applications. The total amount of underwriting of shares sanctioned by the IDBI through 50 applications was Rs. 14.40 crores. Of these, 30 applications for underwriting assistance not exceeding Rs. 10 lakhs, with the exception of one such application, were from other companies. These companies were sanctioned total underwriting assistance of Rs. 7.52 crores through 40 applications.

Assistance to Director
Interested Companies

23. The financial assistance sanctioned by the IDBI to companies in which its directors were interested is shown below:

(Rs. lakhs)

Name of group	No. of Com- panies	Loans	Under writing	Guaran- tees	Total
1	2	3	4	5	6

A. Larger Houses

1. Birla	1	—	40	—	40
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2. Mafatlal	3	1040	308	—	1348
3. Martin Burn	1	500	—	—	500
4. Sub-total	5	1540 (24.0)	348 (22.2)	—	1888 (20.3)
5. All larger houses	6	1540 (24.0)	360 (22.9)	—	1900 (20.4)
B. Other Large Houses					
6. Parry	1	41	76	198	315
7. All large Houses (5 + 6)	7	1581 (24.6)	436 (27.8)	198 (15.2)	2215 (23.8)
8. Foreign Controlled Companies	1	—	30	—	30
9. Others	3	1895 (29.5)	283 (18.0)	512 (39.3)	2690 (28.9)
10. Total (7+8+9)	11	3476 (54.1)	749 (47.7)	710 (54.5)	4935 (53.1)
11. All Companies	71	64.23 (100)	15.70 (100)	1302 (100)	9295 (100)

Figures in brackets are percentages.

24. There were 11 companies out of 711 in which the IDBI's directors were directly interested as directors of the company concerned or as directors of the managing company. The assistance sanctioned to these companies aggregated Rs. 49.4 crores and formed 53.1% of the total assistance to all companies. These companies accounted for Rs. 34.76 crores or 54.1% of loans, Rs. 7.49 crores or 47.7% of underwriting and Rs. 7.10 crores or 54.5% of guarantees.

25. Nearly 45% of the assistance (Rs. 22.15 crores) to companies in which directors of the IDBI were interested was to 7 companies of the 5 large houses which accounted for nearly one-fourth of all loans and 22.9% of underwriting of shares. Three companies of the Mafatlal house were the largest beneficiaries absorbing Rs. 13.48 crores, which formed 14.5% of the total financial assistance granted by the IDBI to all companies. There were 3 non-large house companies which secured total assistance of Rs. 26.90 crores or over 28.9% of the total.

Rejected Applications

26. The distribution of applications for assistance rejected by the IDBI into large house companies and others is shown below:

Size-range (Rs. lakhs)	Number of Applications Rejected						Total
	Large Indus- trial Houses	20 Larger Houses	Second tier Compan- ies.	Large Indepen- dent Companies	Others		
1	2	3	4	5	6		7
1. Upto 10	2	—	—	1	56		59
2. 10 — 20	2	—	—	2	22		26
3. 20 — 30	11	4	1	1	8		21
4. 30 — 50	2	2	—	1	16		19
5. 50 — 75	2	2	—	—	3		5
6. 75 — 100	4	2	—	—	4		8
7. 100 — 150	2	1	—	—	1		3
8. Above 150	4	1	—	—	5		9
9. Total	29	12	1	5	115		150

The bulk of the applications rejected by the IDBI were in respect of assistance for less than Rs. 20 lakhs and most of them were from other companies. Out of 150 applications 85 were for assistance in this size-range and of these 78 were of others.

Project-cost Analysis

27. The following table shows the total estimated cost of projects, the proposed sources of funds, and the contribution of promoters, collaborators and that of the IDBI:

(Rs. crores)

Sources of Funds	Large Indus- trial Houses (21)	Second Tier (1)	20 Larger House (14)	Foreign Control- led Com- panies (1)	Large Indepen- dent Com- panies (4)	Others (44)	Total (71)
1	2	3	4	5	6	7	8
1. Shares	44.83 (17.5)	8.49 (29.1)	33.90 (15.3)	4.00 (78.0)	2.25 (6.8)	45.39 (35.5)	104.96 (22.9)
2. Loans	199.96 (77.9)	28.24 (76.9)	178.14 (80.4)	0.87 (17.0)	30.65 (98.2)	71.08 (55.6)	330.80 (72.0)
3. Debentures	3.09 (1.2)	—	3.09 (1.4)	0.26 (5.1)	—	0.27 (0.2)	3.36 (0.7)
4. Deferred payments	8.84 (3.4)	—	6.42 (2.9)	—	—	11.36 (8.9)	20.20 (4.4)
5. Other sources	—	—	—	—	—	—	—

	1	2	3	4	5	6	7	8
6. Total project cost		256.74	36.73	221.56	5.13	32.90	127.82	459.32
Of which		(100)	(100)	(100)	100	100	100	(100)
7. Promoters' contribution		13.99	0.55	11.86	—	—	20.27	34.81
		(5.4)	(1.5)	(5.4)			(15.9)	(7.6)
8. Collaborator's contribution		22.85	3.99	19.04	—	0.72	3.24	30.80
		(8.9)	(10.9)	(8.6)		(2.2)	(2.5)	(6.7)
9. Total (7 & 8)		36.84	4.54	30.91	—	0.72	23.51	65.61
		(14.3)	(12.4)	(14.0)		(2.2)	(18.4)	(14.3)
Government assistance								
10. Shares		1.95	—	1.80	—	—	6.28	8.23
		(0.8)		(0.8)			(4.9)	(1.8)
11. Loans		2.98	—	2.98	—	0.01	3.66	6.65
		(1.2)		(1.3)		(0.03)	(2.9)	(1.4)
12. Total (10 & 11)		4.93	—	4.78	—	0.01	9.94	14.88
		(1.9)		(2.2)		(0.03)	(7.8)	(3.2)
IDBI's assistance								
13. Shares		6.89	—	6.03	—	—	7.52	14.40
		(2.7)		(2.7)			(5.9)	(3.1)
14. Debentures		1.00	—	1.00	0.30	—	—	1.30
		0.4	0.5	—	(5.8)			(0.3)
15. Loans		28.55	7.00	24.67	—	4.26	24.1	64.23
		(11.1)	(19.1)	(11.1)		(12.9)	(19.1)	(14.0)
16. Guarantees		1.98	—	—	—	—	11.04	13.02
		(0.8)					(8.8)	(2.8)
17. Total (13 & 16)		38.42	7.00	31.69	0.30	4.26	42.98	92.95
		(15.0)	(19.1)	(14.3)	(5.8)	(12.9)	(33.6)	(20.2)

Figures within brackets in column headings indicate number of companies and others are percentages to total project cost.

28. It will be observed that in financing the total project cost of Rs. 459.32 crores of all companies the share of the IDBI was Rs. 92.95 crores or over one-fifth. Besides this, some of these projects had received assistance as loans or to share capital directly from Government amounting to Rs. 14.88 crores constituting 3.2%. Thus, IDBI's and direct Government assistance formed 23.4% or about one-fourth of the cost of all projects. Some of the projects were also assisted by other financial institutions such as the LIC, the ICICI and the IFCI etc. which would increase the share of Government and financial institutions to a higher proportion. As against this, the promoters' and collaborators' contribution to project cost of all projects was Rs. 65.61 crores or 14.3%. Their share in the project cost of other companies was somewhat higher at 18.1% as compared to 14.3% in large house companies.

SECTION 2-REFINANCE ASSISTANCE

Refinance Assistance

29. Though the IDBI's direct assistance relates to the period after July 1964 when it was established, its refinance operations, in respect of terms loans, cover a much longer period from 1958. This

is because soon after its establishment the former Refinance Corporation for Industry, which was registered as a company in June 1958, was merged with the IDBI in September 1964. The refinance assistance is extended by the IDBI to industrial concerns through commercial and co-operative banks eligible for these facilities as well as through the SFCs in respect of terms loans granted by them. The following table shows total refinance made available by the IDBI upto December 1966.

(Rs crores)

Institutions	No. of Comp- anies	Sancti- oned	Disbursed	Outstanding (as at the end of December 1966)
1	2	3	4	5
1. All concerns				
(i) Commercial banks	350	79.44 (100)	68.76	49.27
(ii) Co-operative banks	16	4.33 (100)	4.55	3.33
(iii) SFCs	139	15.53 (100)	13.45	11.43
(iv) Total	505*	99.80@ (100)	86.76@ (100)	64.03@ (100)
2. Large Industrial Houses				
(i) Commercial banks	99	31.67 (39.9)	27.20	19.54
(ii) SFCs	18	2.48 (16.0)	2.35	1.64
(iii) Total	117	34.15 (34.2)	29.55 (34.1)	21.18 (33.1)
3. Second Tier				
(i) Commercial banks	8	1.96 (2.5)	1.95	1.55
(ii) SFCs	3	0.29 (1.9)	0.24	0.19
(iii) Total	11	2.25 (2.3)	2.19 (2.5)	1.74 (2.7)
4. 20 Larger Houses				
(i) Commercial banks	45	14.43 (18.2)	13.07	9.58
(ii) SFCs	6	0.49 (3.1)	0.49	0.33
(iii) Total	51	14.92 (14.9)	13.56 (15.6)	9.96 (15.6)
5. Large Independent Companies				
(i) Commercial banks	6	3.68 (4.6)	3.28	2.59

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1.	2	3	4	5
6. Co-operatives				
(i) SFCs	3	0.25 (1.6)	0.23	0.22
(ii) Co-operative banks	16	4.83 (100)	4.55	3.33
(iii) Total	19	5.08 (5.1)	4.78 (5.5)	3.55 (5.5)
7. Foreign controlled companies				
(i) Commercial banks	12 (4.4)	3.52 (3.6)	3.16	2.63 (4.1)
8. Other concerns				
(i) Commercial banks	227	38.59 48.6	33.14	22.94
(ii) SFCs	113	12.48 (80.4)	10.61	9.35
(iii) Total	340	51.07 (51.2)	43.75 50.4	32.29 (50.4)

* The total number of companies which received refinance loans was 499. The figure of 505 includes 6 companies which received assistance from two institutions.

@ Include assistance to Cooperatives.

Figures in brackets are percentages to the respective totals for commercial banks, co-operative banks and the SFCs.

30. It will be seen that during the period upto December 1966 Rs. 99.80 crores were sanctioned to the institutions eligible for refinance assistance in respect of term loans granted by them to 505 industrial concerns. The amount disbursed was Rs. 86.76 crores, of which Rs. 64.03 crores was outstanding. The bulk of the total sanctions, Rs. 79.44 crores or nearly four-fifth, was through commercial banks, about 15% through SFCs and 5% of it was channelled through co-operative banks.

31. The large house concerns and their Second tier concerns were assisted by commercial banks as well as SFCs, while the large independent companies and foreign controlled companies received refinance through commercial banks only. Co-operative banks extended refinance facilities to industrial co-operative societies, some of which, to a smaller extent, were assisted by the SFCs also. There were 117 large house companies which were sanctioned total refinance assistance by commercial banks and SFCs of the order of Rs. 34.15 crores, which formed 34.2% of the total --the bulk of it was by commercial banks. Second tier companies received Rs. 2.25 crores, which we would bring the large house share of total refinance to 36.5%. Of this, 51 larger house companies received Rs. 14.92 crores or about 15%. If we add the refinance granted to large independent companies (4.6%) and foreign-controlled companies (4.4%) provided entirely by commercial banks these companies among themselves absorbed more than 45% of the total refinance assistance.

32. House-wise details of refinance assistance of Rs. 1 crore and above are shown below:

Large House	No. of Compa- nies	Sanc- tioned	Disbursed	Out- stand- ing (as at the end of Dec. 1966)
1	2	3	4	5
1. Bangur	6	1.48	1.48	1.17
2. Bird Hellgers	6	1.36	0.96	0.96
3. Birla	15	4.99	4.43	2.64
4. Finlay	3	1.24	1.24	0.88
5. Goenka	4	2.01	1.44	1.44
6. ICI	1	1.00	1.00	0.75
7. Naidu (G. Venkataswamy)	3	1.14	1.14	0.85
8. Podar	4	1.45	1.45	1.22
9. T. V. Sundaram Iyengar	5	2.54	1.04	0.72
10. Total (Larger Houses)	47	17.21	14.18	10.63
	(9.3)	(17.2)	(16.3)	16.6
<u>Second Tier</u>				
	7	1.53	1.48	1.21
11. Birla	(1.4)	(1.5)	(1.7)	(1.9)
	54	18.74	15.66	11.84
12. Total	(10.7)	(18.8)	18(0)	(18.5)
(Large Houses and Second tier)	123	36.40	31.74	22.92
13. All Large Houses (in- clusive of Second tier)	(25.3)	(36.4)	(36.6)	(35.8)
	505	99.80*	86.76*	64.03
14. All concerns	(100)	(100)	(100)	(100)

Figures in brackets are percentages to total.

*Include assistance to cooperatives.

33. There were 47 companies (9.3%) of 9 large houses which secured refinance assistance of Rs. 1 crore and above aggregating Rs. 17.21 crores or 17.2% of total refinance sanctioned to all companies. This constituted almost half of the total refinance received by all the large houses. The largest beneficiary of the refinance assistance were 15 Birla-companies and 7 Second tier companies of the House of Birlas which received total refinance of Rs. 6.52 crores, or 6.5% of the total refinance assistance to all companies. Next in importance were 5 companies of T.V. Sundaram Iyengar and 4 companies of Goenka which received Rs. 2.54 crores and Rs. 2.01 crores, respectively.



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APPENDIX VI- A (4)

STATE FINANCIAL CORPORATIONS



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APPENDIX VI-A (4)

STATE FINANCIAL CORPORATION

The SFCs Act

1. At the time of the enactment of the IFCI Bill in 1948 it was recognised that the operations of the all-India Corporation to be set up under it would be confined to large-sized industrial concerns organised as public limited companies and co-operative societies.

2. Under entry 33 of List I in the Seventh Schedule of the Constitution of India read with Section 100 of the Government of India Act, 1935 the incorporation, regulation and winding up of trading corporations including financial corporations fall within the purview of the Central Legislature. The Central Government, therefore, after ascertaining the views of the State Governments, the Reserve Bank of India, and the IFCI introduced the SFCs Bill in Parliament in December 1950. The State Financial Corporations Act (SFCs, Act) came into force in August 1952 as an enabling measure under which SFCs could be established by State Governments to cater to the financial needs of medium and small industrial concerns. The SFCs Act is broadly modelled on the IFCI Act and incorporates the provisions in regard to majority control of its share capital by State Governments and the Reserve Bank, guarantee of State Governments regarding minimum dividends on share capital, restrictions on distribution of profits, special powers of recovery of dues etc. Although the SFCs Act came into force in August 1952, the first Corporation was registered under this Act in the Punjab in February 1953. However, in Madras, the Madras Industrial Investment Corporation Ltd. (MIIC) which was functioning as a financial corporation since March 1949, was registered under the Companies Act. As provided in the SFCs Act the MIIC too was brought within the purview of the Act with regard to some of the provisions of the act.

Resources

3. Under Section 4 of the SFCs Act, 1951, the authorised capital of each SFC is fixed by the State Government, but in no case could it be less than Rs. 50 lakhs or exceed Rs. 5 crores. The State Government also determines the distribution of shares among various categories of shareholders viz. (i) State Government (ii) Reserve Bank, (iii) scheduled Banks, insurance companies, State Co-operative banks and other financial institutions and (iv) other shareholders, including individuals. It is provided in the statute that not more than 25 per cent of the shares should be allocated to the last category of shareholders. In category (iii) the LIC is a major shareholder. The share capital of the SFCs is guaranteed by the State Governments as to the repayment of principal and payment of annual dividend at such

minimum rates as the Government may fix with the approval of the Central Government. The issued and paid-up capital is initially determined by the State Government, in consultation with the Reserve Bank having regard, *inter alia*, to the stage of industrial development of the region, the immediate and future needs for finance from industry etc. The State Governments are the largest single shareholders, and together with the shareholdings of the Reserve Bank hold a majority of the share capital in any one SFC to ensure a controlling interest. The contribution of State Governments to share capital ranges from 32 per cent to about 65 per cent and that of the Reserve Bank from 12 to 20 per cent.

4. Apart from the share capital the main source of their resources is bonds issued on the market, borrowings from the Reserve Bank and refinance loans from the IDBI. The bonds of the SFCs are issued in consultation with the Reserve Bank. These bonds are guaranteed by the concerned State Government as to the repayment of principal and payment of interest. Section 7(5) of the SFCs Act limits their borrowings by way of bonds and contingent liabilities arising from guarantees given or underwriting agreement to 10 times the paid-up capital and reserves. The SFCs are also authorised to accept deposits repayable after the expiry of a period of not less than 12 months. The total amount of such deposits should not exceed the paid-up share capital of the SFC at any time. All such deposits are fully guaranteed by the concerned State Government in respect of the repayment of principal and payment of interest. However, with the exception of the MIIC and a few other corporations, deposit mobilisation has not provided to be an important source of their funds.

Organisation

5. In terms of Section 9 of the Act, the general superintendence, direction and management of the SFCs is vested in a Board of Directors which, with the assistance of an Executive Committee and a Managing Director, exercises all the powers and discharges all the functions of the corporations. Section 10 provides for the creation of the Board to consist of ten directors, five nominated, 4 elected and a Managing Director. Section 21 of the Act also provides for the appointment of one or more Advisory Committees to assist the Corporation in the efficient discharge of its functions. But a number of corporations have not set up such committees. These committees generally consist of some of the directors and a few representatives of industry in the State. The functions of these committees include examination of applications referred to them for technical advice, opinion about scope of development of industry and on the requirements of financial assistance.

6. Three directors are nominated by the State Government and one each by the Reserve Bank and the IFCI. Three directors are elected in the prescribed manners; one each to represent scheduled banks, cooperative banks and other financial institutions. One director is elected by the remaining shareholders. The Managing Director

is appointed by the State Government in consultation with the Reserve Bank and the Board, except in the case of the first appointment. One of the directors of the corporation, not being the Managing Director, is nominated by the State Government as its Chairman, except the first Chairman, after considering the recommendations of the Board. The nominated directors by the State Government often include prominent businessmen or industrialists, in addition to senior officers of the State Government such as the Finance Secretary, Directors are generally its senior executives. By virtue of the magnitude of its senior officers or non-official members of its local board who may often be prominent businessmen or industrialists. The IFCI used to nominate one of its directors on the SFCs boards but now its nominees are generally its senior executives. By virtue of the magnitude of its shareholdings the LIC is ensured a seat on the boards of the SFCs, but in that case the category of other financial institutions (insurance companies, non-scheduled banks investment trusts etc.) will not get separate representation.

Functions

7. The SFCs are empowered to cater to the long and medium term requirements of funds of corporate and non-corporate enterprises (including co-operative societies, partnership or proprietary concerns). Granting of term loans against the mortgage of fixed assets as security is the main form in which the SFCs have extended assistance to industrial concerns. Under Section 25 of the Act, a SFC may subscribe to the debentures of an industrial concern, repayable within 20 years from the date of subscription. It may underwrite issues of stocks, shares, bonds and debentures of industrial concerns, and to retain them for a period up to 7 years, if this is necessary to fulfil underwriting obligations. Such retention may be for a longer period with the prior permission of the Reserve Bank. So far, with the exception of the MIIC, other SFCs have extended limited assistance in these forms. The SFCs are not permitted to participate directly in the equities of companies. The inability of the SFCs to extend assistance in these forms mainly arises from the fact that the smaller companies with which they generally deal are often unable to raise funds in the open market, and because a large number of their clientele are non-corporate enterprises which cannot borrow through debentures.

Application for Assistance and its Scrutiny

8. The SFCs have devised broadly four different types of forms for the applicant concerns. Separate forms are for (i) corporate units, (ii) non-corporate units, (iii) small industrial units and (iv) for obtaining information on certain key items, before the applicant can complete a proper application form. For the appraisal of technical aspects of projects seeking the assistance of the SFCs, apart from the advisory committees constituted by some of them, the corporations generally consult the State Directorates of Industries. To check post-sanction utilisation of loans granted, most SFCs send their own inspecting officers, and obtain progress reports in prescribed forms, which generally contain data regarding value of security, utilisation of loan, implementation of scheme, quantum of production,

sales, employment etc. But most of the corporations experience difficulties in getting the data, particularly from non-corporate borrowers.

Overall pattern of Assistance

9. The analysis of the data on the operations of the SFCs, relates to the assistance granted by them from 1956 to December 1966. In 1956, there were 12 SFCs, including the Madras Industrial and Investment Corporation. Their number has since increased to 18 in 1967-68, for, consequent upon the reorganisation of the Punjab State, the Government of India approved a scheme for the reorganisation of the Punjab Financial Corporation and the establishment of three separate financial corporations, one each for the State of Harayana, the Union territory of Himachal Pradesh, and the Union territories of Delhi and Chandigarh. This, however, took effect from April 1967, a period not covered by the Committee's Terms of Reference, and hence the returns received relate to the operations of only 15 SFCs. Moreover, the data of the Punjab State Financial Corporation are not complete in all respects, as some of the relevant data were not available due to the reorganisation. The total State-wise assistance sanctioned and disbursed as at the end of December 1966 is shown below. Assistance below Rs. 5 lakhs is shown separately in the case of those SFCs where such data were available.

State Financial Corporations	(Rs. crores)							
	Assistance Sanctioned				Amount Disbursed			
	Loans	Under-writing of Shares	Guarantees	Total	Loans	Under-writing of Shares	Guarantees	Total
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	6.19	0.12	1.32	7.63 (0.43)	5.17	0.04	0.75	5.96 (0.34)
2. Assam	2.02	—	—	2.02 (N.A.)	2.00	—	—	2.00 (N.A.)
3. Bihar	2.86	—	0.12	2.98 (0.97)	2.54	—	—	2.54 (0.82)
4. Gujarat	2.14	0.57	—	2.71 (N.A.)	1.64	0.42	—	2.06 (N.A.)
5. Jammu & Kashmir	0.23	—	—	0.23 (N.A.)	0.15	—	—	0.15 (N.A.)
6. Kerala	3.49	0.05	0.02	3.56 (0.69)	2.72	—	—	2.72 (0.57)
7. Madhya Pradesh	4.37	0.12	—	4.49 (0.42)	3.38	0.12	—	3.50 (N.A.)
8. Madras	20.58	9.01	9.60	39.14 (1.63)	17.56	7.02	5.26	29.84 (1.27)

Contd. on next page

1	2	3	4	5	6	7	8	9
9. Maharashtra	17.02	—	—	17.02 (9.07)	6.39	—		6.39 (N.A.)
10. Mysore	2.74	—	0.45	3.19 (0.38)	2.30	—		2.30 (0.27)
11. Orissa	1.58	0.23	—	1.81 (0.67)	1.39	0.13		1.52 (0.52)
12. Punjab	12.72	—	—	12.72 (N.A.)	8.35			8.35 (N.A.)
13. Rajasthan	3.49	0.10	—	3.59 (0.55)	2.69	0.09		2.78 (0.45)
14. Uttar Pradesh	3.72	—	—	3.72 (0.93)	2.94	—		2.94 (0.79)
15. West Bengal	7.82	0.12	—	7.94 (2.29)	6.45	0.11		6.56 (1.87)
16. Total	90.92	10.32	11.51	112.75 (18.03)	65.67	7.93	6.01	79.61 (6.90)
17. Percentage	80.6	9.2	10.2	82.5	100	7.5		100

*These figures relate to the undivided Punjab State as given in its annual report for the year 1965-66. The data furnished by the Haryana Corporation are incomplete. The total assistance sanctioned and disbursed in this region during the period under reference was Rs. 11.75 lakhs to 5 industrial concerns.

Figures in brackets relate to assistance below Rs. 5 lakhs. For some Corporations these data were not furnished or were not complete.

10. During the period under consideration the SFCs extended assistance for an aggregate amount of Rs. 112.75 crores. Most of the assistance sanctioned by the Corporations viz. Rs. 90.92 crores or 80.6 per cent was in the form of loans; next, came assistance in the form of guarantees for loans and deferred payment arrangements amounting to Rs. 11.51 crores or 10.2 per cent. Underwriting assistance, which was only in respect of issue of shares, amounted to Rs. 10.32 crores or 9.2 per cent. Of the total assistance, the amount sanctioned below Rs. 5 lakhs was of the order of Rs. 18.03 crores or 16.0 per cent.

11. Statewise, the MIIC, which was the first to start operations, sanctioned Rs. 39.14 crores or 34.7 per cent of total assistance. The Maharashtra SFC comes next in importance granting assistance amounting to Rs. 17.02 crores or 15.1 per cent, all this being in the form of loans. Thus, these 2 SFCs were responsible for almost 50 per cent of the total assistance sanctioned. The Punjab and the West Bengal SFCs sanctioned 11.3 per cent and 7.0 per cent, respectively. So far as assistance below Rs. 5 lakhs is concerned, the data received by us is incomplete in some respects. However, it formed a small proportion of total assistance in the case of most of the SFCs. The Maharashtra SFC was the only Corporation which sanctioned more

than 50 per cent of its assistance in amounts below Rs. 5 lakhs. As against the total sanctions aggregating Rs. 112.75 crores during the period 1956 to 1966 the amount disbursed by the SFCs was Rs. 79.61 crores.

12. The distribution of loan assistance granted by the SFCs since their inception upto 31st March 1966 to various industrial concerns, classified on the basis of their form of organisation is given below:

(Rs. lakhs)

Form of Organisation	No. of concerns			Assistance Sanctioned		
	Small	Medium & Total	Large	Small	Medium & Total	Large
1	2	3	4	5	6	7
1. Public Limited	78 (2.8)	568 (36.8)	641 (15.4)	85.59 (4.2)	4591.86 (53.8)	4676.45 (44.2)
2. Private Limited	418 (16.0)	539 (34.8)	957 (23.0)	507.79 (25.0)	2242.87 (26.2)	2750.66 (26.0)
3. Partnership	1069 (41.0)	340 (21.9)	1409 (33.9)	863.16 (42.4)	1227.01 (14.3)	2090.17 (19.8)
4. Proprietary	849 (32.6)	71 (4.6)	920 (22.2)	474.23 (23.3)	230.73 (2.7)	704.96 (6.7)
5. Others	197 (7.6)	33 (2.1)	230 (5.5)	103.54 (5.1)	255.04 (3.0)	358.58 (3.4)
6. Total (1 to 5)	2606 (100)	1551 (100)	4157 (100)	2033.31 (100)	8547.51 (100)	10580.82 (100)
7. Percentages	62.7	37.3	100	19.2	80.8	100

Figures in brackets are percentages to total.

13. The total amount of medium and long-term loans sanctioned by the SFCs to 4157 industrial concerns was Rs. 105.8 crores. Of this, Rs. 46.8 crores or 44.2 per cent was in respect of 641 public limited companies. A small proportion of the assistance went to 2606 small industrial concerns viz. Rs. 20.3 crores or 19.2 per cent, while over four-fifths of the total amount Rs. 85.5 crores or 80.8 per cent, went to the medium and large-sized industrial concerns.

Assistance to Large Houses

14. We obtained concern wise details of assistance sanctioned of Rs. 5 lakhs and above by the SFCs. While we could not get data relating to assistance below Rs. 5 lakhs from all the Corporations, data on assistance of Rs. 5 lakhs and above were received from all the SFCs, except the Punjab and Haryana Corporations mainly due to the re-organisation of the Punjab Corporation into separate Corporations for Haryana, Himachal Pradesh and Union Territories of Delhi and Chandigarh. The data furnished by these Corporations were incomplete in many respects. The following table shows the assistance

sanctioned by all the SFCs to large house, large independent companies and to other industrial concerns.

(Rs. crores)

	No. of Concerns	Loans	Underwriting of Shares	Guarantee	Total
1	2	3	4	5	6
1. Large Industrial House	62 (12.0)	8.42 (13.5)	3.61 (36.0)	0.94 (8.5)	12.97 (15.7)
2. Second Tier Concerns	9 (1.7)	0.64 (1.0)	0.12 (1.02)	—	0.76 (1.9)
3. Larger Houses	22 (4.3)	2.22 (3.6)	0.19 (1.9)	—	2.41 (3.0)
4. Large Independent Companies	6 (1.2)	0.82 (1.3)	0.50 (5.0)	—	1.32 (1.6)
5. Others	440 (85.1)	52.54 (84.2)	5.81 (57.8)	10.26 (91.5)	68.61 (81.8)
6. All Industrial Concerns (Rs. 5 lakhs and above) (1+2+4+5)	517 (100)	62.42 (100)	10.04 (100)	11.20 (100)	83.66* (100)
7. Percentages	—	74.6	12.0	13.4	100
8. Other Concerns (Below Rs. 5 lakhs)	N.A.	17.57	0.27	0.30	18.14
9. Total (6+8)	N.A.	80.02	10.81	11.51	101.80

Figures in brackets are percentages to total.

*Includes Rs. 72 lakhs to 4 Co-operatives and Rs. 36 lakhs to 3 Public Sector Undertakings.

15. The SFCs sanctioned Rs. 12.97 crores to 62 large house concerns belonging to 32 large houses. This accounted for 15.7 per cent of their assistance. In this, the share of 10 larger houses stood at Rs. 2.41 crores or 3.0 per cent. In addition to this, the second tier concerns of large houses accounted for Rs. 76 lakhs. Large Independent companies secured Rs. 1.32 crores or 1.6 per cent of assistance, while all the other concerns numbering 440, claimed Rs. 68.61 crores or almost 82 per cent. Thus, 19.2 per cent of the SFCs' assistance went to large houses their second tier concerns and large independent companies.

16. The following table shows the assistance sanctioned to those large house concerns and associate companies which received the bulk of the financial assistance in their respective groups.

(Rs. lakhs)

Business House	No. of applications	Loans	Underwriting of shares	Guarantees	Total
1	2	3	4	5	6
1. Naidu (V. Rangaswamy)	3	4.00	150.00	83.00	237.00
2. Seshasayee	4	40.00	135.00	175.09	
3. Thiagaraja	8	74.00	—	12.00	86.00
4. Naidu (G. Venkataswamy)	6	66.00	15.00	—	81.00
5. V. Ramkrishna	2	70.00	—	—	70.00
6. J. K. Singhania	9	68.00	—	—	68.00
7. Jaipuria	4	60.00	—	—	60.00
8. T. V. Sundaram Iyengar	4	45.00	10.00	—	55.00
9. Birla	1	—	19.00	—	19.00
10. D. C. Kothari	1	—	15.00	—	15.00
11. Thapar	4	40.00	—	—	40.00
12. Mahindra and Mahindra	5	37.00	—	—	37.00
13. Bangur	5	34.00	—	—	34.00
14. Soorajmull Nagarmull	4	33.00	—	—	33.00
15. Total (1 to 14)	60	571.00	344.00	95.00	1010.00
16. Birla (2nd tier)	10	53.00	—	—	53.00
17. Total (15+16)	70	624.00	344.00	95.00	1063.00
18. Total assistance to all large house concerns (including associate companies)	—	90.600	373.00	94.00	1403.00

17. With the exception of two large houses, viz. Rangaswamy Naidu and Seshasayee, no other large business house or associate company was sanctioned more than one per cent of the total assistance. These two large houses each claimed Rs. 2.37 crores or 2.8 per cent and Rs. 175 lakhs or 2.1 per cent, respectively. The Thiagaraja, G. Venkataswamy Naidu, V. Ramakrishna and J.K. Singhania groups, being the main recipient of loan assistance, claimed Rs. 2.78 crores or 4.5 per cent of total loan-assistance. But this pattern is not present in respect of underwriting of shares. Of the total underwriting assistance, which was in favour of large houses 92.0 per cent was distributed among only 6 houses, the largest share being in favour of the Rangaswamy Naidu which accounted for Rs. 1.50 crores or 14.9 per cent, closely followed by the Seshasayees which secured Rs. 1.35 crores or 13.4 per cent. An amount equivalent to 28.3 per cent or over one-fourth of underwriting assistance was sanctioned to just 2 large houses. However, it may be noted that the entire amount of underwriting assistance to these 2 large houses came from the MIIC which does not suffer from the various statutory restrictions under which other SFCs have to function.

Size-wise Analysis

18. With the exception of the MIIC other SFCs do not grant loans exceeding Rs. 20 lakhs to a public limited company and Rs. 10 lakhs to others. The following table shows the size-wise distribution of the number of applications and the amount of loan assistance sanctioned in respect of applications for Rs. 5 lakhs and above. (Rs. crores)

Size-range (Rs. lakhs)	Total of Rupee Loans		All Large Houses		Second Tier concerns		Larger Houses		Large Independent Companies		Others	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Upto 10	524	29.58	53	3.81	11	0.36	26	1.92	6	0.22	454	25.19
2. 10 — 20	207	24.15	27	2	11	0.28	7	0.57	7	0.60	171	20.14
3. 20 — 30	42	5.48	7	1.26	—	—	—	—	—	—	35	4.22
4. 30 — 50	10	1.18	1	0.50	—	—	—	—	—	—	9	0.68
5. Above 50	3	2.06	—	—	—	—	—	—	—	—	3	2.06
6. Total	786	62.45	8	8.70	13	0.64	33	2.49	13	0.82	672	52.29

19. The size-wise distribution of loans showed that 731 applications which were in lower ranges within Rs. 20 lakhs, were granted loan assistance amounting to Rs. 53.73 crores or 86.0 per cent. Applications for loan assistance from the large houses, numbering 80 and accounting for Rs. 6.94 crores also fall within this range. Of these, 33 applications for Rs. 2.49 crores belonged to larger house concerns.

20. The size-wise distribution of underwriting assistance sanctioned by the Corporations is shown below:

Size-range (Rs. lakhs)	Total Under- writing Shares		All Large Houses (including Associ- ate Companies)		All Others Concerns	
	Rs.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7
1. Upto 5	33	1.30	3	0.12	30	1.18
2. 5—10	18	1.37	3	0.26	15	1.11
3. 10 — 20	14	1.94	4	0.60	10	1.34
4. 20 — 30	3	0.75	1	0.25	2	0.50
5. 30 — 40	3	1.08	—	—	3	1.08
6. 40 — 50	1	0.50	—	—	1	0.50
7. Above 50	3	3.10	2	2.50	1	0.60
8. Total	75	10.04	13	3.73	62	6.31

21. Out of 75 underwriting applications for Rs. 10.04 crores, the lower size ranges viz. upto Rs. 20 lakhs and below accounted for Rs. 4.61 crores or 46.0 per cent through 65 applications. There were 10 applications from large houses claiming Rs. 98 lakhs in this range and 55 applications of other companies accounting for Rs. 3.63 crores. Assistance exceeding Rs. 20 lakhs is found even in the pattern of underwriting assistance. Here, however, the MIIC alone sanctioned the total underwriting assistance exceeding Rs. 20 lakhs which was of the order of Rs. 5.43 crores.

Assistance to Director
Interested Concerns

22. Some of the Directors, either elected by the shareholders, other than State Government and the RBI and in some cases even those nominated by State Government and the Reserve Bank to the Board of Directors of the SFCs include prominent businessmen or industrialists. The following table shows the assistance granted to concerns in which the Directors of the SFCs had interest.

(Rs. lakhs)

States	No. of con- cerns	Large Indus- trial Houses	Second Tier		Others		All		Total	
			Loans Under- writing of Shares	Loans Under- writing of Shares	Loans Under- writing of Shares	Loans Under- writing of Shares	Loans Under- writing of Shares			
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh	5	—	—	6	—	54	—	60	—	60
2. Uttar Pradesh	1	—	—	—	—	16	—	16	—	16
3. Madhya Pradesh	6	—	—	—	—	67	—	67	—	67
4. Rajasthan	4	8	—	—	—	54	5	62	5	67
5. Assam	1	—	—	—	—	11	—	11	—	11
6. Maharashtra	5	—	—	—	—	72	—	72	—	72
8. West Bengal	8	—	—	—	—	61	12	61	12	73
7. Gujarat	6	—	—	—	—	80	—	80	—	80
9. Madras	31	35	193	—	6	455	244	490	443	933
10. Kerala	1	—	—	—	—	3	—	3	—	3
11. Mysore	1	—	—	—	—	15	—	15	—	15
12. Total (1 to 11)	67	43	193	6	6	888	261	937	460	1397
13. Percentages		3.1	13.8	0.4	0.4	63.6	18.7	67.1	32.9	100
14. Total assistance of Rs. 5 lakhs and above	517	870	362	64	12	5311	631	6245	1005	8371

*Excludes Rs. 400 lakhs assistance by way of guarantees to companies in which Directors were interested, which would bring the total to Rs. 17.97 crores for which details are not available.

23. Directors of the SFCs were interested as Directors of 67 concerns which were sanctioned a total assistance of Rs. 17.97 crores. These concerns formed 12.1 per cent of all the concerns assisted by the SFCs and the assistance sanctioned to them formed 21.5 per cent of the assistance sanctioned to all concerns. Fifteen per cent of the total loan assistance and as much as 45.8 per cent of total underwriting assistance went to Director-interested concerns. The MIIC was in the forefront in assisting such Director-interested companies with Rs. 933 lakhs or more than half the amount that went to such concerns.

Analysis of Rejected Applications

24. The following table shows the applications rejected, according to the size-range of assistance.

(Rs. crores)

Size-Range (Rs. lakhs)	All Appli cations	All Large Houses	Large Houses	Other Companies
1	2	3	4	5
1. Upto 10	641	25	10	616
2. 10 — 20	46	13	10	33
3. 20 — 30	5	1	—	4
4. 30 — 50	1	—	—	1
5. Over 50	3	—	—	3
6. Total	696 (100)	39 (5.6)	20 (2.9)	657 (94.4)

Figures in brackets are percentages to total.

25. As compared to the rejected applications of other concerns, the proportion of such applications belonging to large house concerns was far smaller; 39 applications from large houses forming 5.6 per cent, of which 20(2.9) per cent were from large house concerns and 657 or as many as 94.4 per cent of other concerns were rejected due to various reasons. Most of the rejected applications 687 or 98.7 per cent were for amounts below Rs. 20 lakhs.

Analysis of Project cost Data

26. The proposed means of financing the estimated project cost of the industrial concerns assisted by the SFCs are not comparable with those for other financial institutions. This is so because the SFCs assist not only the joint stock companies but also non-corporate industrial concerns organised as proprietary and partnership con-

cerns. Moreover, the data furnished by the SFCs were incomplete in certain respects. We have, therefore, restricted the analysis of the means of financing only to loans and to the contribution of the SFCs in financing the project cost. The following table shows the total cost of the projects of various concerns and the contribution of the SFCs in raising the required finance in respect of those industrial concerns which received assistance from SFCs.

(Rs. crores)

	No. of Compa- nies	Project Cost	Of which Borrowings		Loans	Contribution of SFCs		Total
			Loans	Deferred Payment		Under Guar- anteeing of Shares		
1	2	3	4	5	6	7	8	9
1. All Large Houses	62	52.62 (100)	23.09 (43.9)	2.03 (3.9)	8.70 (16.5)	3.62 (6.9)	0.95 (1.8)	13.27 (25.2)
2. Second Tier Concerns	9	3.08 (100)	1.69 (55.2)	—	0.64 (20.9)	0.12 (3.9)	—	0.76 (24.8)
3. Larger Houses	22	12.81 (100)	6.75 (52.7)	0.80 (6.2)	2.49 (19.4)	0.19 (1.4)	—	2.68 (20.8)
4. Large Independent Com- panies	6	20.23 (100)	14.70 (72.7)	1.45 (7.2)	0.82 (4.1)	0.50 (2.3)	—	1.32 (6.4)
5. All Other Concerns	440	200.61 (100)	92.57 (46.1)	9.75 (4.9)	52.2 (26.1)	5.81 (2.9)	10.26 (5.1)	68.36 (34.1)
6. Total (1+2+4+5)	517	276.52 (100)	132.05 (47.7)	13.23 (4.8)	62.45 (22.6)	10.05 (3.6)	11.21 (4.1)	83.71 (30.3)

Figures in brackets are percentages to total.

27. The financial assistance sanctioned by the SFCs aggregated Rs. 83.71 crores while the total project cost of the 517 companies for which this assistance was granted was Rs. 276.52 crores. Thus the SFCs' contribution to project cost formed 30.3%. In the total project cost of Rs. 276.52 crores the shares of loans was the largest, forming Rs. 132.05 crores or 47.7%, and Rs. 13.23 crores or 4.8% was by way of deferred payment arrangements. The total project cost of 62 large house concerns and 9 associated concerns aggregated Rs. 55.68 crores or nearly 20.1% of the cost of all projects. The participation by the SFCs in financing this was to the extent of 25.2%. In the 22 projects of larger house concerns the contribution of the SFCs constituted 20.8% of the project cost.

APPENDIX VI-A (5)

STATE INDUSTRIAL DEVELOPMENT CORPORATIONS



सत्यमेव जयते



सत्यमेव जयते

APPENDIX VI-A(5)

STATE INDUSTRIAL DEVELOPMENT CORPORATIONS

Formation of SIDCs and their Organisation

1. In order to accelerate the pace of industrial development in their respective States, some of the State Governments have, since 1960, taken steps to establish State Industrial Development Corporation (SIDCs). Some of these Corporations are in formative stages. Of the fourteen States now having such Corporations, Andhra Pradesh and Bihar were the first to set up the Corporations in 1960 followed by Uttar Pradesh and Kerala in 1961 and thereafter in other States. These Corporations have been set up under the Companies Act, with the exception of the Maharashtra and Gujarat State Corporations, which have been incorporated under special statutes of the State Legislatures. The Maharashtra Government has also set up a separate Industrial and Investment Corporation under Companies Act to promote investment in the private sector industries.

2. The general administration of the SIDCs is vested in the Board of Directors nominated by the concerned State Government. Some State Governments have nominated local industrialists on the Boards of the Corporations in addition to Government officials of concerned departments. In the case of the Maharashtra and Gujarat State Corporations, however, some of the directors are nominated by statutory bodies like the State Electricity Boards and the State Housing Boards as well.

Functions

3. The main functions of the Corporations are the promotion, improvement and development of industries in the States. For efficiently carrying out these functions, the Corporations have also been empowered to plan, formulate and execute any industrial undertaking, project or enterprise which is likely to accelerate industrial development. For this purpose some Corporations have themselves promoted industrial projects while some other Corporations have set up separate companies to execute such projects. The Corporations are authorised to grant financial assistance to the private-sector industrial concerns in the form of direct investment, loans, extension of guarantee for loans and deferred payment, underwriting and direct subscriptions, to the issue of shares, bonds and debentures. The financial functions of the SIDCs to some extent involve overlapping and conflict with the functions of the SFCs. But the origin of the SIDCs lies in the cautious approach of and emphasis on the security aspects by the SFCs for granting financial assistance, particularly underwriting and direct subscriptions to shares and debentures of companies. In addition to these general functions,

the statutory Corporations in Maharashtra and Gujarat have been empowered to undertake special activities like establishing and managing industrial estates, development of industrial areas, generation, transmission and sale of electricity, etc.

4. These Corporations have extended financial assistance in the form of loans to industrial units, underwriting and direct subscription to shares and debentures as well as guarantee assistance. The Corporations in Andhra, Bihar, Orissa and Kerala have taken the lead in promoting the establishment of industrial concerns. Most of these Corporations underwrite public issues of capital by companies and directly subscribe to shares and debentures.

Capital

5. The entire share capital of the SIDCs has been subscribed by the State Governments with the exception of the statutory Corporations in Maharashtra and Gujarat. In the case of the latter, the State Governments provide grants and subscriptions and loans and advances whenever the need arises. The funds of the Corporations could be augmented by the issue of bonds and debentures in the open market and by obtaining grants, subscriptions, loans and advances, deposits etc. from the Central and States Governments, banks and other financial institutions or individuals.

Overall Pattern of Assistance

6. The analysis of the data on the operations of the SIDCs relate to the assistance granted by them from their respective dates of establishment to the period ending December 1966. However, these data are very limited as the returns received relate only to the 6 SIDCs who have started operations, other Corporations being either still in their formative stages or not undertaking financial assistance as a primary function. The statewide pattern of assistance granted by the 6 Corporations is as given below:

(Rs. lakhs)								
SIDC	No. of Companies	Loan	Amounts Sanctioned Direct Subscrip- tion to Shares	Under writing of Shares	Guarantees	Total	Amount Disburs- ed	Amount Outstanding (as at the end of December 66)
1	2	3	4	5	6	7	8	9
1. Kerala	29	131.00	104.00	179.00	116.00	530.00 (30.8)	308.00	308.00
2. Bihar	10	11.00	15.00	103.00	—	129.00 (7.5)	84.00	84.00
3. Andhra Pradesh	30	—	119.00	307.00	290.00	796.00 (46.3)	203.00	185.00
4. Uttar Pradesh	18	—	—	242.00	—	242.00 (14.1)	143.00	69.00
5. SICOM (Maharashtra)	1	—	—	6.00	—	6.00 (0.4)	—	—
6. Orissa	1	—	—	15.00	—	15.00 (0.9)	15.00	—
7. Total	86*	142.00 (8.3)	318.00 (18.5)	852.004 (46.9)	06.00 (23.6)	1718.08 (100)	753.00	646.00

Figures in brackets are percentages to the total

*One Company was assisted by SIDCs

7. During the period under consideration the total amount of assistance sanctioned by the Corporations to 88 companies through 89 applications totalled Rs. 17.18 crores. Of this, underwriting assistance was predominant and accounted for as much as Rs. 8.52 crores or 49.6%. Statewise, the Andhra Pradesh Corporation, being the first to start operations, contributed the maximum to development assistance viz. Rs. 7.96 crores or 46.3% of the total. The Kerala Corporation followed with assistance to the extent of Rs. 5.30 crores or 30.8%. These two Corporations account for 77.1% or more than three-fourths of the total assistance.

Assistance to Large Industrial Houses.

8. The amount of financial assistance sanctioned by these Corporations to the companies of the large houses and to others is shown below:

(Rs. lakhs)						
	No. of Appli- cations	Loans	Underwriting of Shares	Direct Subscription to Shares	Guarantees	Total
1	2	3	4	5	6	7
A. <u>Larger Houses</u>						
1. Bangur	1	—	15.00 (1.8)	—	—	15.00 (0.9)
2. Birla	1	—	—	0.05 (—)	—	0.05 (—)
3. Total	2 (2.2)	—	15.00 (1.8)	—	—	15.05 (0.9)
B. <u>Other Large Houses</u>						
4. R. K. Kanoria	1	—	20.00 (2.3)	—	—	20.00 (1.2)
5. Modi	1	—	59.00 (6.9)	—	—	59.00 (3.4)
6. Seshasayee	1	10.00 (7.0)	15.00 (1.8)	5.00 (1.6)	—	30.00 (1.7)
7. All Large Houses	5 (5.6)	10.00 (7.0)	109.00 (12.8)	5.00 (1.6)	—	124.05 (7.2)
C. <u>Second Tier</u>						
8. Parry	1	—	100.00 (11.7)	—	—	100.00 (5.8)
9. Total (A+B+C)	6 (6.7)	10.00 (7.0)	209.00 (24.5)	5.05 (1.6)	—	224.05 (13.0)
10. <u>Large Independent Companies</u>	2 (2.2)	—	20.00 (3.5)	14.00 (4.4)	—	44.00 (2.6)
11. <u>Public Sector Undertakings</u>	4 (4.5)	10.00 (7.0)	35.00 (4.1)	20.00 (6.3)	37.00 (9.1)	102.00 (5.9)
12. <u>Other companies</u>	77 (86.6)	122.00 (86.0)	578.00 (67.9)	279.00 (87.7)	369.00 (90.9)	1348.00 (78.5)
13. All companies	89 (100)	142.00 (100)	852.00 (100)	318.05 (100)	406.00 (100)	1718.05 (100)

Figures in brackets are percentages to total.

9. The assistance granted by the SIDCs to large Industrial houses and large independent companies mainly took the form of underwriting support of public issues of share capital. Of the total assistance sanctioned, the share of five large industrial houses was Rs. 1.24 crores or 7.2 per cent. One Second Tier Company of the Parry group was the main beneficiary, claiming as much as Rs. 1.00 crore or 5.8 per cent. This assistance would bring the total amount sanctioned to large houses to Rs. 2.24 crores or 13.0 per cent of the total assistance. Large independent companies secured Rs. 44.00 lakhs or 2.6 per cent. Thus, large houses and large independent companies obtained Rs. 2.68 crores or 15.6 per cent of the SIDCs assistance. If we exclude the investments made in Government companies (public sector), the share of large house and large independent companies would be higher at 16.6 per cent.

10. Underwriting assistance formed the bulk of SIDCs assistance and amounted to Rs. 8.52 crores or almost 50 per cent. This underwriting was only in respect of issue of shares. Here large houses claimed almost one-fourth of the assistance sanctioned viz. Rs. 2.09 crores or 24.5 per cent and if we include the share of large independent companies, which received Rs. 30.00 lakhs or 3.5 per cent, the share of these companies in total underwriting assistance would amount to 28 per cent. The bulk of the assistance in other forms was granted to non-large house companies.

Analysis of Project Cost

11. The quantum of financial assistance granted by the SIDCs is not large. However, the analysis of project-cost of SIDC assisted projects would be of interest for more than one reason. The assistance granted may be small but the underlying projects may be large. The contributions of the promoters and their collaborators to the total project-cost would also show their financial interest in the projects promoted by them.

(Rs. lakhs)												
	No. of Companies	Project Cost	Means of Financing			Contribution of			Contribution of SIDCs			
			Shares	Loans	Deferred Payments	Other Sources	promoters	Collaborators	Total	Shares (underwritten and direct Subscription)	Loans	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
1. All Large Houses	5	1660.00 (100)	650.00 (39.1)	889.00 (53.6)	101.00 (6.1)	20.00 (1.2)	75.00 (4.5)	54.00 (3.3)	129.00 (7.8)	114.05 (6.9)	10.00 (0.6)	124.05 (7.5)
2. Second Tier	1	3246.00 (100)	849.00 (26.2)	2397.00 (73.8)	—	—	337.00 (10.4)	116.00 (3.6)	453.00 (14.0)	100.00 (3.1)	—	100.00 (3.1)
3. Larger Houses	2	732.00 (100)	300.00 (41.0)	331.00 (45.2)	101.00 (13.8)	—	59.00 (8.8)	47.00 (6.4)	97.00 (13.2)	15.05 (2.1)	—	45.05 (2.1)
4. Large Independent companies	2	583.00 (100)	265.00 (45.4)	215.00 (36.9)	53.00 (9.3)	49.00 (8.4)	60.00 (10.3)	30.00 (5.4)	90.00 (15.4)	44.00 (7.5)	—	44.00 (7.5)
5. Public Sector Undertakings	4	743.00 (100)	280.00 (37.7)	463.00 (62.3)	—	—	28.00 (3.8)	—	28.00 (3.8)	55.00 (7.4)	10.00 (1.3)	65.00 (8.7)
6. Others	76	11014.00 (100)	4522.00 (41.1)	5527.00 (50.2)	808.00 (7.3)	157.00 (1.4)	1136.00 (10.3)	745.00 (6.8)	1882.00 (17.1)	857.00 (7.8)	122.00 (1.1)	979.00 (8.9)
7. Total	88	17246.00 (100)	6566.00 (38.1)	9491.00 (55.0)	963.00 (5.6)	226.00 (1.3)	1636.00 (9.5)	945.00 (5.5)	2582.00 (15.0)	1170.05 (6.8)	142.00 (0.8)	17.18* (10.0)

Figures in brackets are percentages to the total

*Includes Rs. 406 lakhs by way of guarantee to public sector undertakings and other companies which would bring total SIDCs' contribution to Rs. 17.18 crores or 10 per cent.

12. It will be seen that though the aggregate financial assistance granted by the SIDCs in various forms was only Rs. 17.18 crores the total project-cost of the projects of 88 companies for which this assistance was granted was of the order of Rs. 172.46 crores. Thus, the total contribution of the SIDCs formed 10 per cent of the total capital cost of projects. The average size of a project assisted by the Corporations was nearly Rs. 2 crores, which shows that the assistance granted by the Corporations was, in fact, for large-sized projects. Among the large house projects assisted by the Corporations there was a project of a second tier company involving capital outlay of Rs. 32.46 crores. The total project cost of the projects of 6 large house companies (inclusive of a second tier company) aggregated Rs. 49.06 crores or nearly 28.7 per cent of the cost of all projects.

13. The contribution of the promoters and collaborators to the project-cost was Rs. 16.36 crores or 9.5 per cent and Rs. 9.45 crores or 5.5 per cent, respectively, for all projects. The contribution of the promoters, was lower than the financial assistance granted by the SIDCs, which constituted 10 per cent of the total project cost. The total contribution of the promoters and collaborators formed only 15 per cent of the total project-cost. The contribution of the promoters of large house projects was considerably lower at 4.5 per cent in 5 projects of large industrial houses. While for all projects the combined contribution of the promoters and collaborators was 15 per cent of the project cost, it was 13.2 per cent for the projects of large houses, 7.8 per cent for large industrial houses and 14 per cent for a 2nd tier company.



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APPENDIX VI-A (6)
DIRECT GOVERNMENT ASSISTANCE



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APPENDIX VI—A(6) DIRECT GOVERNMENT ASSISTANCE

Introductory

1. The specialised financial institutions have been set up by the Government or with its support with a view to strengthening and widening the capital market of the country and to extend financial assistance to industrial concerns in the private sector. Apart from these institutions the Central Government and the State Governments also directly grant loans and subscribe to the share capital of medium and large sized industrial concerns. Hence, it is necessary to analyse data regarding assistance in this form granted to private sector concerns in order to have a clear picture of total financial assistance to this sector. Some specialised institutions set up by the Central Government like the National Industrial Development Corporation Ltd., (NIDC) for assisting the textile and machine tool industries for rehabilitation and modernisation, the Rehabilitation Industries Corporation Ltd, and the Film Finance Corporation Ltd. are also included as part of direct Government assistance. This is because though these corporations are separate institutions their entire share capital is subscribed by Government, and loans or grants are extended by Government to meet their requirements of funds for various activities. The operations of the NIDC are included upto February, 1963 when the Corporation ceased to grant loans for modernisation and rehabilitation purposes. Our data on direct Government assistance mainly cover loans granted by the Central Government and investments in shares and debentures of companies by the State Governments and therefore, these data are not complete. Besides this, we have not included under direct government assistance sizeable amounts of loans given to private sector companies from special funds such as Shipping Development Funds, and loans given for construction of housing facilities for workers.

2. We have, however, analysed the assistance extended to private sector companies from the PL 480 funds under the provisions of Cooley amendment as direct Government assistance. The Cooley amendment to PL 480 provides that upto 25 per cent of the local currency proceeds from the sale of American agricultural commodities shall be made available to the USA Export-Import Bank for lending in the private sector to two categories of borrowers viz. (1) American firms or their subsidiaries operating in the host countries or indigenous firms having an affiliation with an American firm; and (2) Indigenous firms of the host country with no American affiliation but which are facilitating disposal of American agricultural products e.g., local private warehouses storing grain or flour mills processing the grain. The Cooley loans, which were approved by the Government of India, upto June 1966 have been analysed as a part of direct Government assistance.

3. The following table shows the quantum of direct Government assistance sanctioned to the private sector in different ways, the distribution of which is further analysed in this note.

(Rs. crores)

	No. of Companies	Loans	Investment in			Total	Total
			Ordinary Shares	Prete- rence Shares	Debentures		
1	2	3	4	5	6	7	8
1. <u>Government</u>							
i) Central Government	73	2.71	14.42	—	12.50	26.92	29.63
ii) State Governments	259	—	17.16	7.97	0.42	25.55	25.55
iii) Total	330*	2.71	31.58	7.97	12.92	52.47	55.18
2. NIDC (upto February, 1963)	100	28.05	—	—	—	—	28.05
3. Cooley Funds (upto June' 66)	56	58.04	—	—	—	—	58.04
4. Total (1+2+3)	486	88.80	31.58	7.97	12.92	52.47	141.27
5. Percentage		62.9	22.4	5.6	9.1	37.1	100

*One company was assisted both by Central and a State Government.

4. The aggregate assistance sanctioned to private sector directly from Government sources upto the end of December 1966 amounted to Rs. 141.27 crores. Of this, Rs. 88.80 crores or 62.9 per cent was in the form of loans and Rs. 52.47 crores or 37.1 per cent was as investment in shares and debentures of companies.

5. The distribution of the overall Government assistance from different sources in various forms among the different groups of recipients is shown below:

(Rs. crores)

Government Assistance Director									
	Loans	Investment in			Total	Total	NIDC Loans	Cooley Loans	Total
		Ordinary Shares	Prete- rence Shares	Debentures					
1	2	3	4	5	6	7	8	9	10
1. Large Industrial Houses	0.02	4.62	3.14	0.37	8.13	8.15 (14.8)	12.34 (44.0)	33.68 (58.0)	54.17 (38.3)
2. Second Tier Companies	—	0.01	0.12	—	0.13	0.13 (0.2)	—	0.17 (0.3)	0.30 (0.2)
3. Larger Houses	0.02	3.14	2.02	0.32	5.48	5.50 (10.0)	8.38 (30.0)	16.87 (29.1)	30.75 (21.8)
4. Large Independent Companies	—	14.66	0.27	12.50	27.43	27.43 (49.7)	—	2.85 (4.9)	30.28 (21.9)
5. Others*	2.69	12.29	4.44	0.05	16.78	19.47 (35.3)	15.71 (56.0)	21.34 (36.8)	56.52 (40.1)
6. Total (1+2+4+5)	2.71	31.58	7.97	12.92	52.47	55.18 (100)	28.05 (100)	58.04 (100)	141.27 (100)
Percentages	1.9	22.4	5.6	9.1	37.1	39.0	19.9	41.1	100

*Includes Rs. 96 lakhs to 13 Co-operatives and Rs. 52 lakhs to 4 Public Sector Undertakings

Figures in brackets are percentages to total.

6. Of the total Government assistance i.e. Rs. 141.27 crores the largest share went to 'others' who received Rs. 56.52 crores or 40.1 per cent, but large industrial houses closely followed with Rs. 54.17 crores or 38.3 per cent. The share of large industrial houses in total Government assistance formed nearly two-fifths of the total. Larger houses had a share in this to the extent of Rs. 30.75 crores or 21.8 per cent. In the case of the NIDC loans, 56 per cent and 44 per cent were claimed by non-large house and large house concerns, respectively. A substantial part of the Cooley loans were also sanctioned to large industrial houses viz. Rs. 33.68 crores or 58.0 per cent. Slightly more than half of this amount was the share of larger houses, their claim being to the extent of Rs. 16.87 crores or 29.1 per cent.

**Central State
Govt; Assistance**

7. The following table shows the distribution of Central and State Governments' direct financial assistance.

(Rs. crores)

States	Loans Sanctioned	Direct Investment in		Deben- tures	Total	Total
		Ordinary Shares	Prefe- rence Shares			
1	2	3	4	5	6	7
A. Central Government	2.71	14.42	—	12.05	26.92	29.63+ (53.7)
B. State Government						
1. Andhra Pradesh	—	2.84	1.10	0.02	3.96	3.96 (7.2)
2. Assam	—	2.15	0.35	—	0.50	0.50 (0.9)
3. Bihar	—	0.62	0.19	—	0.81	0.81 (0.5)
4. Gujarat	—	5.51	1.87	—	7.38	7.38@ (13.4)
5. Haryana	—	0.37	0.62	0.09	1.15	1.15 (2.1)
6. Kerala	—	2.98	1.50	0.05	4.43	4.53 (8.2)
7. Madras	—	0.29	0.10	—	0.39	0.39 (0.7)
8. Maharashtra	—	0.92	0.13	—	1.05	1.05 (1.9)
9. Mysore	—	1.49	—	—	1.49	1.49 (2.7)
10. Orissa	—	0.11	0.46	—	0.57	1.57 (1.0)
11. Punjab	—	0.14	0.11	0.25	0.50	0.50 (0.9)

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1	2	3	4	5	6	7
12. Rajasthan	--	0.78	1.26	0.01	2.05	2.05 (3.7)
13. Uttar Pradesh	—	0.70	0.06	—	0.76	0.76 (1.4)
14. West Bengal	—	0.26	0.15	—	0.41	0.41 (0.7)
15. Total (1 to 14)	—	17.16	7.97	0.42	25.55	25.55 (46.3)
16. Total (A+B)	(2.71) (4.9)	31.58 (57.2)	7.97 (14.5)	12.22 (23.4)	52.47 (95.1)	55.18 (103)
17. Total (exclusive of oil India Ltd. and Gujarat State Fertilisers Ltd).	2.71 (11.9)	13.18 (57.8)	6.49 (28.5)	0.42 (1.8)	20.09 (88.1)	22.80 (100)

*Includes Rs. 26.50 crores to Oil India Ltd.

@Includes Rs. 5.88 crores to Gujarat State Fertilisers Co. Ltd.

Figures in brackets are percentages to total.

8. Government assistance aggregated to Rs. 55.18 crores as at the end of December, 1966. This does not include loans granted directly by State Governments to industrial concerns. The participation of the Central Government was to the extent of Rs. 29.63 crores or 53.7 per cent while that of the various State Governments was of the order of Rs. 25.55 crores or 46.3 per cent. However, this amount of Rs. 55.18 crores includes a disproportionately large amount granted in favour of 2 companies alone. The Central Government directly invested Rs. 26.50 crores in the Oil India Ltd. while the Gujarat Government invested Rs. 5.88 crores in the Gujarat State Fertilisers Co. Ltd. The amount granted to these 2 companies exceeded half the total Government assistance, forming 58.7 per cent. If we exclude the share of these 2 companies in Government assistance, a clearer picture of the Statewise pattern of distribution of Government assistance emerges.

9. The following table shows the distribution of direct Government assistance among the various groups to the exclusion of the amount granted to Oil India Ltd. and Gujarat State Fertilisers Co. Ltd.

(Rs. crores)

	No. of Com- panies	Loans	Ordinary Shares	Direct Investment in		Total	Total
				Prefe- rence Shares	Deben- tures		
1	2	3	4	5	6	7	8
1. Large Industrial House	82 (25.1)	0.02 (0.7)	4.62 (35.1)	3.14 (48.4)	0.07 (88.4)	8.13 (40.5)	8.15 (35.7)
2. Second Tier Companies	3 (0.9)	—	0.12 (0.1)	0.12 (1.8)	—	0.13 (0.6)	0.13 (0.6)
3. 20 Larger House	47 (14.4)	0.02 (0.7)	3.14 (23.8)	2.02 (31.1)	0.32 (76.8)	5.48 (27.3)	5.50 (24.6)
4. Co-operative Societies	12 (3.7)	0.26 (9.6)	0.67 (5.1)	—	0.04 (10.2)	0.71 (3.5)	0.97 (4.3)
5. Public Sector Under takings	4 (1.2)	—	0.46 (3.4)	0.06 (0.9)	—	0.52 (2.6)	0.52 (4.1)
6. Large Independent Companies	6 (1.8)	—	0.66 (5.0)	0.27 (4.1)	—	0.93 (4.6)	0.93 (4.1)
7. Others	220 (67.3)	2.43 (89.7)	6.76 (51.3)	2.90 (44.8)	0.01 (2.4)	2.67 (9.67)	12.10 (53.1)
8. Total (1+2+4 to 7)	327 (100)	2.71 (100)	13.18 (100)	6.49 (100)	0.42 (100)	20.09 (100)	22.80 (100)
Percentages	—	11.9	57.8	28.5	1.8	88.1	100

Figures in brackets are percentages to total

10. It will be observed that the large independent companies, while earlier accounting for the bulk of assistance, now have an insignificant amount of Rs. 93 lakhs or 4.1 per cent. An amount exceeding 50 per cent i.e. Rs. 12.10 crores is accounted for by 'others' while the large industrial houses follow with Rs. 8.15 crores or 35.7 per cent. The share of larger houses in this stood at 24.6 per cent or nearly one-fourth of Government assistance. The share of large industrial houses and larger houses in direct Government investment was significantly large.

11. The following table shows direct Government assistance to the ten large industrial houses in order of their importance.

(Rs. lakhs)

Business House	No. of Companies	Direct Investment in			Total	Total
		Ordinary Shares	Preference Shares	Debentures		
1	2	3	4	5	6	7
1. Birla	10	148	75	—	223	223 (34.3)
2. Tata	12	91	34	7	132	132 (20.3)
3. Sahu Jain	3	8	75	—	83	83 (12.7)
4. Thapar	3	8	14	25	47	47 (8.2)
5. Dalmia Jaydayal	3	1	40	—	41	41 (6.4)
6. A.C.C.	1	28	—	—	28	28 (4.3)
7. Kirloskar	3	26	—	—	26	26 (4.0)
8. Indra Singh	1	25	—	—	25	25 (3.8)
9. Andrew Yule	1	23	—	—	23	23 (3.5)
10. G. D. Jatia	1	8	15	—	23	23 (3.5)
11. Total	38	366	253	32	651	651 (100)
12. Percentages to total assistance	—	27.8	39.0	76.2	32.4	28.6

Figures in brackets are percentages to total

12. The Birla House ranked foremost with Rs. 2.23 crores while the Tata, Sahu Jain and Thapar houses followed with Rs. 1.32 crores, Rs. 83 lakhs and Rs. 47 lakhs respectively. These 4 large industrial houses which received substantial share of Government investment belonged to the larger business houses. In this list of 10 large industrial houses, two other large houses viz. A.C.C. and Andrew Yule also figured and brought the total of the Larger 6 houses to Rs. 5.36 crores out of Rs. 6.51 crores—an amount forming 68.0 per cent of the share of all large industrial houses.

NIDC's Assistance

13. The following table shows the assistance granted to the large industrial houses by the NIDC upto February, 1963.

(Rs. crores)			
Business Houses	No. of Companies	Amount	Percentages
1	2	3	4
A. Larger Houses			
1. Birla	6	1.87	6.7
2. Bangur	5	1.60	5.7
3. Tata	2	1.25	4.5
4. Soorajmull Nagarmull	6	0.98	3.5
5. J. K. Singhanian	2	0.75	2.7
6. Geonka	3	0.64	2.3
7. Shri Ram	1	0.60	2.1
8. Andrew Yule	2	0.43	1.6
9. Walchand	1	0.25	0.9
10. Total Larger Houses	28	8.38	30.0
B. Other Large Houses			
11. A. & F. Harvey	1	0.75	2.7
12. Mangaldas Jaisinghobhai	1	0.70	2.5
13. Shaw Wallace	2	0.57	2.0
14. Macnecil & Barry	2	0.46	1.6
15. Venkataswamy Naidu	2	0.40	1.4
16. Kanoria (Bhagirath)	1	0.34	1.2
17. Kanoria R. K.	1	0.25	0.9
18. Podar	1	0.25	0.9
19. Bajaj	1	0.15	0.5
20. Thiagaraja	1	0.09	0.3
21. Total Other large houses	13	3.96	14.0
22. All large houses (10+21)	41	12.34	44.0
C. Total for all concerns			
of which	100	28.05	100
i) Jute textile mills	33	7.46	26.6
ii) Cotton textile mills	63	19.59	69.8
iii) Machine tools	4	1.00	3.6

(Rs. crores)

14. Of the total NIDC assistance of Rs. 28.05 crores to 100 concerns, Rs. 12.34 crores or 44 per cent was claimed by large industrial houses in respect of 41 concerns; of this, larger houses acquired

Rs. 8.38 crores or almost 30 per cent for 28 concerns. This constitutes a significant amount of concessional finance for the purposes of rehabilitation and modernisation of the textile industry going to the large house mills.

Cooley Loans

15. Upto 30 June, 1966, 56 companies were granted loans aggregating Rs. 58.04 crores from Cooley funds. In the grant of Cooley loans, large industrial houses received favoured treatment, and acquired for 12 companies total assistance of Rs. 33.68 crores or 58 per cent. Data on disbursements of Cooley loans sanctioned upto June 1966 are not available. However, as at the end of June 1967, a sum of Rs. 55.21 crores was disbursed. The following table shows the distribution of Cooley loans among individual large industrial houses.

(Rs. crores)			
Business House	No. of Companies	Amount	Percentage
1	2	3	4
A. Larger Houses			
1. Birla	4	8.03	13.9
2. Bird Heilgers	1	1.00	1.7
3. Kilachand	1	6.50	11.2
4. Sarabhai	1	1.34	2.3
5. Total larger houses	7	16.87	29.1
B. Other Large Houses			
6. Seshasayee	1	2.00	3.4
7. Kirloskar	1	1.25	2.2
8. EID-Parry	2	13.41	23.1
9. V. Ramakrishna	1	0.15	0.3
10. Total—Other Large Industrial Houses	5	16.81	29.0
Total—All Large (5 + 10) Industrial Houses	12	33.68	58.0
Total for all concerns	56	58.04	100.0

16. Four Larger houses received Rs. 16.87 crores or 29.1 per cent by way of assistance through Cooley loans, while an almost equivalent amount went to 4 other large industrial houses. The EID-Parry group received assistance for 2 companies totalling Rs. 13.41 crores or 23.1 per cent of the total, which was a significant amount making the Parry group the foremost in the grant of Cooley loans. The Birla house was second, securing almost 14 per cent or Rs. 8.03 crores in respect of 4 companies, followed by a Kilachand company which secured Rs. 6.05 crores or 11.2 per cent.

APPENDIX VI-B (I)
LIFE INSURANCE CORPORATION OF INDIA



सत्यमेव जयते



सत्यमेव जयते

APPENDIX VI B (1)
LIFE INSURANCE CORPORATION OF INDIA

1. The Life Insurance Corporation of India (LIC) came into being on 1st September, 1956 in terms of the LIC Act, 1956, which provides for the nationalisation of the life insurance business in the country. This Act also provides for the regulation and control of the business of the Corporation. The nationalisation of life insurance business of 242 erstwhile insurance companies and its centralised management in the hands of the LIC. As a result, the LIC emerged as the single largest investor in the stock exchange securities and an important source of share and debenture capital for investment in the private corporate sector.

Organisation

2. The LIC has paid up capital of Rs. 5 crores, entirely subscribed by the Central Government. The affairs of the Corporation are managed by its 15 members in terms of Section 4(1) of its statute. All the members, including the Chairman, are appointed by Government. Before appointing a person as a member of the Corporation Government would satisfy itself that the person does not have financial or other interest which is likely to affect adversely the exercise or performance by him of his functions as a member. In fulfilment of its main function to carry on life insurance business in the country, the Corporation has powers to invest the funds of the Corporation, subject to rules framed by Government for this purpose, in terms of Section 6 of the Act.

3. In terms of Section 19(1) the Corporation may entrust the general superintendence and direction of its affairs and business to an Executive Committee consisting of not more than five of its members who exercise such powers as may be delegated to it by the Corporation. Section 19(2) provides for the constitution of an Investment Committee for the purpose of advising it in matters relating to the investment of its funds. This Committee is composed of not more than 7 members of whom not less than 3 should be members of the Corporation and the remaining members should be persons who have special knowledge and experience in financial matters relating to investment of funds. The Corporation is also authorised to appoint other committees for the purpose of discharging its functions effectively. The day to day affairs of the Corporation are managed by its full time Chairman and 2 Managing Directors appointed by the Corporation. Under Section 21 Government has reserved the right to give directives, in writing, to the Corporation in matters of policy having public interest.

Investment Policy

4. Soon after the establishment of the LIC there came the Mundra episode (1958) which emphasised the importance for the LIC to have a clearly laid down investment policy for investing its funds in the private sector companies. In view of the importance of the magnitude of LIC's holdings of shares and debentures of private

Corporate sector and the more or less continuous inflow of invisible funds from the LIC seeking investment outlets, the Corporation enunciated the broad principles of its investment policy in July, 1958. The basic principles of this policy are as under:

- (i) The keynote of the Corporation's investment policy should be that the funds should be invested so as to safeguard and promote, to the maximum extent possible the interests of the policy holders. The larger interests of the country should not, however, be ignored.
- (ii) The investment should be dispersed over different classes of investments, different industries and different regions.
- (iii) The Corporation should take interest in underwriting debentures and shares after careful investigation.
- (iv) The Investment Policy of the Corporation should serve the larger economic and social considerations beneficial to the country.
- (v) The Corporation should act purely as an investor and not assume the role of an operator or speculator and try to take advantage of temporary fluctuations in the market prices.
- (vi) The Corporation should not acquire control or participate in the management of any concern in which it has interest as an investor unless exceptional circumstances warrant such participation.

5. If the Government want the Corporation to make any deviation from the above principles of its investment policy it could issue directives to it in writing under Section 21 of the LIC Act. So far, however, no directives have been issued to the Corporation. Under the provisions of Section 6(1) of the LIC Act it is the duty of the Corporation that while keeping in view its obligations to the policy holders it should carry on business to the best advantage of the community. In August, 1958, Section 27 A of the Insurance Act, 1938 was extended to the investments of the LIC. For the purpose of extending the scope of Section 27A to the LIC's investments the original provisions of this Section were revised and substituted by modified Section 27A of the Insurance Act, 1938. In the scheme of this section investments of the *Controlled Fund* of the LIC, which includes all the funds pertaining to its Life business, capital redemption insurance business and annuity certain business, are divided into the following four principal categories:

(i) 25 per cent of its Controlled Fund should always be invested in *Government securities*:

(ii) A further sum equal to not less than 25 per cent of the Controlled Fund should be invested in *Government Securities or other approved securities*. Thus, at least 50 per cent of its Controlled Fund would be invested in Government and other approved securities.

(iii) Balance of the Controlled Fund should be invested in *approved investments*, which include municipal bonds and securities

issued with the permission of State Governments, debentures, secured by first mortgage on immovable property, preference and ordinary shares of companies which fulfil certain conditions regarding payment of dividend in the preceding years, other loans on the first mortgage of property etc.

(iv) But under the provisions of sub-Section (2) of the Section 27(A) the LIC is authorised to invest an amount not exceeding 15 per cent of its Controlled Fund in *unapproved investments* with unanimous recommendation of its Investment Committee or a resolution of its Board of Directors passed by a majority of at least three-fourths of its members present.

6. As regards its investments in the shares and debentures of private sector companies, besides direct purchases and sales on the capital market, the LIC directly underwrites public issues of capital by these companies. The mechanics of its investment operations from the market is governed by a broad programme of investments drawn up by its Investment Committee, which generally meets once in a month. The investment programme is to be unanimously recommended by the Investment Committee, whose decisions are kept secret. In their recommendations, the Committee not only specifies the quantum of investment, but also indicates the scrips in which the investment should be undertaken. The Managing Directors of the LIC are empowered to carry on the day to day transactions within the framework of the recommendations of the Investment Committee through brokers approved by the Corporation. Within this broad framework, the investment operations of the Corporation are governed by the statutory stipulation that its total unapproved investments should not exceed 15 per cent of its Controlled Fund, and its holdings of equity shares of any company should not exceed 30 per cent of the subscribed capital of the company. Investment in the equity capital of a company exceeding 30 per cent of its capital requires a prior approval of Government. The Corporation also underwrites public issues of capital made by companies. The underwriting activity of the LIC has come to occupy an important place in the LIC's investment policy for its investments in the shares and debentures of companies in the private sector.

Investment pattern
during 1.9.56 to
1.1.61

7. At the time of nationalisation of life insurance business as on 1st September 1956 the total investment of life insurance companies in shares and debentures of joint stock companies aggregated Rs. 56.88 crores. The analysis of investment in September 1956 and January 1961 is given below with reference to book value of investments in large house companies and other companies.

(Rs. Crores)

	No. of compa- nies	As on 1st September, 1956				No. of compa- nies	As on 1st January 1961			
		Ordinary Shares	Pref- erence Shares	Deben- tures	Total		Ordinary shares	Pref- erence shares	Deben- tures	Total
1	2	3	4	5	6	7	8	9	10	11
1. Large Industrial houses	112	14.53 (63.3)	9.35 (69.7)	8.77 (42.8)	32.65 (57.4)	226	29.04 (63.0)	15.31 (74.1)	10.14 (42.5)	55.39 (60.2)
2. Second Tier	2	0.79 (3.4)	—	—	0.79 (1.4)	2	1.09 (2.3)	—	—	1.09 (1.2)
3. 20 Larger houses	113	11.28 (49.1)	7.06 (52.6)	6.64 (32.4)	24.99 (43.9)	138	22.02 (46.3)	12.09 (58.6)	7.92 (33.2)	42.08 (45.7)
4. Large Independent Companies	20	1.74 (7.6)	0.83 (6.2)	8.22 (40.1)	10.79 (19.0)	27	5.03 (10.6)	1.40 (6.8)	11.07 (46.4)	17.50 (19.0)
5. Foreign Controlled Companies	6	0.31 (1.8)	0.22 (1.6)	0.90 (4.4)	1.42 (2.5)	7	0.61 (1.3)	0.26 (1.3)	0.81 (3.4)	1.68 (1.8)
6. Others*	57	2.86 (12.5)	0.68 (5.1)	0.17 (0.8)	3.71 (6.5)	72	6.32 (13.3)	1.66 (8.0)	0.15 (0.6)	8.14 (8.8)
7. Investments below Rs. 5 lakhs	N.A.	2.74 (11.9)	2.34 (17.4)	2.44 (11.9)	7.52 (13.2)	N.A.	4.53 (9.5)	2.08 (9.8)	1.68 (7.1)	8.24 (9.0)
8. Total (1+2+4+5+6+7)	297	22.97 (100)	13.42 (100)	20.49 (100)	56.88 (100)	334	47.53 (100)	20.66 (100)	23.86 (100)	92.05 (100)
9. Percentage		40.4	23.6	36.0	100		51.6	22.5	25.9	(100)

Figures in brackets are percentages to total.

* Include assistance to Public Sector Undertakings to the extent of Rs. 0.4 crore and Rs. 0.07 crore in 1956 and 1961, respectively.

8. At the time of nationalisation Rs. 22.97 crores or 40.4 per cent of total investments of life insurance companies was in the ordinary shares of companies. Investments in preference shares and debentures amounted to Rs. 13.42 crores or 23.6 per cent and Rs. 20.49 crores or 36.0 per cent, respectively. The distribution of investments, as on 1st January 1961 showed that ordinary shares accounted for Rs. 47.53 crores or 51.6 per cent of the total investment. Investments in ordinary shares recorded over two-fold increase during this period. The LIC had no investments in 15 large houses in 1956 and in 13 large houses in 1961. In the total investments of the Corporation the share of 60 large houses was Rs. 32.65 crores as on 1st September 1956 and formed 57.4 per cent. It increased to Rs. 55.39 crores in 62 large houses and formed 60.2 per cent of total investment as on 1st January, 1961. In the companies of the larger houses in 1956 the LIC had some investment in 133 companies and in 1961 in 138 companies. The larger houses accounted for almost 44 per cent in September 1956 and 46 per cent of the total investment in January 1961. The investment in ordinary shares of the larger house-

companies more than doubled during this period, accounting for Rs. 10.74 crores out of the total increase in investment of Rs. 17.04 crores. The investment policy of the Corporation, pursued during 1956-61, has not materially altered the pattern of distribution of its investment as it was found at the time of nationalisation.

9. The investments of the Corporation in others showed a small increase from 7 per cent (Rs. 3.71 crores) in 1956 to 9% of all investments in 1961 (Rs. 9.24 crores). This was concentrated in ordinary shares, which showed an increase from Rs. 2.86 crores to Rs. 6.32 crores. The companies in which the LIC had small investments of less than Rs. 5 lakhs (as at the end of March 1967) accounted for Rs. 7.52 crores in September 1956 and Rs. 8.24 crores in January 1961 of its total investments. The share of these companies in the total private sector investment actually declined from 13.2 per cent in September 1956 to 9 per cent in January 1961.

Investments in large
house companies
(1.9.56 to 1.1.1961)

10. The distribution of LIC's investments of one per cent and more in different large house companies in September 1956 and its investments in these houses in January 1961 is shown in the table below:

(Amount in Rs. crores)

	Investments in September 1956					Investments in January 1961				
	No. of Com- panies	Ordinary Shares	Prefer- ence Shares	Deben- tures	Total	No. of Com- panies	Ordinary Shares	Prefer- ence Shares	Deben- tures	Total
1	2	3	4	5	6	7	8	9	10	11
<u>Large Houses</u>										
1. A.C.C.	1	1.55 (6.7)	—	—	1.55 (2.7)	1	3.30 (7.0)	—	—	3.30 (3.6)
2. Andrew Yule	11	1.16 (5.0)	0.27 (2.0)	—	1.43 (2.5)	12	1.69 (3.6)	0.29 (1.4)	—	1.97 (2.2)
3. Bangur	10	0.29 (1.3)	0.41 (3.0)	0.07 (0.3)	0.76 (1.4)	10	0.46 (1.0)	0.86 (4.2)	0.41 (1.7)	1.73 (1.9)
4. Bird Heilgers	16	1.13 (4.9)	0.60 (4.5)	0.60 (2.9)	2.33 (4.1)	16	1.42 (3.0)	0.63 (3.0)	0.58 (2.4)	2.62 (2.9)
5. Birla	20	0.64 (2.8)	1.68 (12.5)	0.21 (1.0)	2.52 (4.4)	22	1.62 (3.4)	3.73 (18.0)	0.37 (1.6)	5.72 (6.2)
6. Killick	5	1.50 (6.5)	0.01 (0.1)	1.05 (5.1)	2.56 (4.5)	5	2.04 (4.3)	0.01 (0.0)	1.03 (4.3)	3.08 (3.4)
7. Martin Burn	10	1.16 (5.1)	1.20 (9.0)	0.28 (1.4)	2.64 (4.7)	10	2.67 (5.6)	1.46 (7.1)	0.22 (0.9)	4.36 (4.7)
8. Sahu Jain	5	0.17 (0.7)	0.23 (1.7)	0.30 (1.5)	0.70 (1.2)	6	0.71 (1.5)	0.28 (1.4)	0.31 (1.3)	1.30 (1.4)

(Continued on next page)

(Amount in Rs. crores)

	Investments in September 1956					Investments in January, 1961				
	No. of Com- panies	Ordinary Shares	Prefer- ence Shares	Deben- tures	Total	No. of Com- panies	Ordinary Shares	Prefer- ence Shares	Deben- tures	Total
1	2	3	4	5	6	7	8	9	10	11
9. Scindia	1	0.13 (0.6)	— —	0.68 (3.3)	0.82 (1.4)	1	0.38 (0.8)	—	—	0.38 (0.4)
10. Soorajmull Nagarmull	8	0.27 (1.2)	0.16 (1.2)	0.28 (1.4)	0.72 (1.3)	8	0.28 (0.6)	0.21 (1.0)	0.31 (1.3)	0.80 (0.9)
11. Tata	16	2.88 (12.5)	1.80 (13.4)	2.00 (9.7)	6.67 (11.7)	16	5.80 (12.2)	3.13 (15.2)	2.87 (12.0)	11.80 (12.8)
<u>Large Houses</u>										
12. Jardine Henderson	6	0.48 (2.1)	0.14 (1.0)	0.28 1.4	0.90 (1.6)	6	0.52 (1.1)	0.14 (0.7)	0.28 (1.2)	0.95 (1.0)
13. Macneil & Barry- Binny	5	0.60 2.6	0.40 (3.0)	0.96 (4.7)	1.96 (3.4)	5	0.83 (1.7)	0.36 (1.7)	0.92 (3.9)	2.10 (2.3)
<u>Second Tier</u>										
14. Thakersey	1	0.78 (3.4)	—	—	0.78 (1.4)	1	1.09 (2.3)	—	—	1.09 (1.2)
15. Total (1 to 14)	115	12.74 (55.4)	6.90 (51.4)	6.71 (32.7)	26.34 (46.3)	119	22.80 (48.1)	11.10 (53.7)	7.30 (30.6)	41.20 (33.8)

Figures in brackets are percentages to total investment of the Corporation.

11. The housewise distribution of LIC's investment in September 1956 would show the pattern of investment of life insurance companies at the time of nationalisation. The changes, if any, brought about by the LIC between September 1956 and January 1961 would be indicative of the investment policy of the Corporation and the extent to which the broad objectives of this policy were achieved. However, it will be seen that the broad pattern of LIC's investments in January 1961 was more or less the same as that of the insurance companies at the time of nationalisation. In September 1956, among the larger houses six houses accounted for almost one-third of the total investments. These were, in order of their importance, companies of Tatas (11.7 per cent), Martin Burn (4.7 per cent), Killick (4.5 per cent), Birla (4.4 per cent), Bird Hellgers (4.1 per cent) and A.C.C. (2.7 per cent). Another large house viz. Macneil and Barry-Binny accounted for another 3.4 per cent of Corporation's investments. In January 1961 also these six houses accounted for about one-third of LIC's investments. In this, the investments in Tata and Birla companies showed significant increases. Tata companies with 12.8 per cent were still leading; but the position of Birla companies markedly improved to the second position accounting for 6.2 per cent of the total investments, followed by Martin Burn (4.7 per cent), A.C.C.

(3.6 per cent), Killick (3.4 per cent) and Bird Heilgers (2.9 per cent). Macneil & Barry-Binny accounted for another 2.3 per cent of investments.

Investment
pattern during
1.1.1961 to 31.3.1967

12. The following table shows the broad distribution of the LIC's loans and investments in January 1961 and March 1967.

(Amount in Rs. crores)

	As on 1st January, 1961					As on 31st March, 1967					
	No. of Companies	Ordinary Shares	Preference Shares	Debentures	Total	No. of Companies	Loans	Ordinary Shares	Preference Shares	Debentures	Total
1	2	3	4	5	6	7	8	9	10	11	12
1. Large Industrial Houses	226	29.94 (63.0)	15.31 (74.1)	10.14 (42.5)	55.39 (60.2)	269	3.01 (45.2)	72.41 (63.3)	20.79 (67.3)	26.43 (56.2)	122.6 (61.5)
2. Second Tier	2	1.09 (2.3)	—	—	1.09 (1.2)	4	—	2.48 (2.2)	0.07 (0.2)	—	2.55 (1.3)
3. Larger Houses	138	22.02 (46.3)	12.09 (58.6)	7.92 (33.2)	42.03 (45.7)	168	2.51 (37.7)	54.80 (47.7)	15.91 (51.5)	20.70 (44.1)	93.92 (47.1)
4. Large Independent Companies.	27	5.03 (10.6)	1.40 (6.8)	11.07 (46.4)	17.50 (19.0)	35	0.65 (9.8)	14.87 (12.9)	1.73 (5.6)	18.90 (40.2)	36.16 (18.1)
5. Foreign controlled companies.	7	0.61 (1.3)	0.26 (1.3)	0.81 (3.4)	1.68 (1.8)	13	1.00 (15.0)	1.16 (1.0)	0.32 (1.0)	1.01 (2.2)	3.49 (1.7)
6. Others*	72	6.32 (13.3)	1.66 (8.0)	0.15 (0.6)	8.14 (8.8)	132	2.00 (30.0)	18.29 (15.9)	4.96 (16.1)	0.42 (0.9)	25.67 (12.9)
7. Investment below Rs. 5 lakhs.	N.A.	4.53 (9.5)	2.03 (9.8)	1.68 (7.1)	8.24 (9.0)	N.A.	—	5.70 (5.0)	3.03 (9.8)	0.28 (0.5)	8.96 (4.5)
8. Total (1+2+4 to 7)	334	47.53 (100)	20.66 (100)	23.86 (100)	92.05 (100)	453	6.66 (100)	114.91 (100)	30.90 (100)	46.99 (100)	199.47 (100)
9. Percentages		51.6	22.5	25.9	100		3.3	57.6	15.5	23.6	100

Figures in brackets are percentages to total.

@ Includes companies belonging to BIC, which was amalgamated with Soorajmull Nagarmull after 1962.

* Includes Rs. 0.07 crore to 2 Public Sector Undertakings in January 1961 and Rs. 0.03 crore to 1 Public Sector Undertaking in March 1967.

13. The growth of LIC's investments in the private sector during the period January 1961 and March 1967 was at an accelerated rate as represented by an increase from Rs. 92.05 crores to Rs. 199.47 crores or at 117 per cent, as compared to Rs. 56.88 crores in September 1956 and Rs. 92.05 crores in January 1961. The number of companies in which the Corporation had investments (exclusive of companies in

which the investment of the Corporation was less than Rs. 5 lakhs) also increased from 297 in September 1956 to 334 in January, 1961 and further to 453 in March, 1967. During the period 1961-67 the Corporation also started granting medium and long term loans to companies for the first time. The distribution of investments of the Corporation among large houses, larger houses, large independent companies, foreign controlled companies and other companies was more or less the same as that observed in January, 1961. Large house companies (269) accounted for Rs. 122.64 crores or 61.5 per cent of all investments. In this, the share of larger houses was Rs. 93.9 crores or 47.1 per cent. There were 35 large independent companies which accounted for Rs. 36.16 crores or 18.1 per cent and others accounted for Rs. 25.67 crores or 12.9 per cent of total investment. It may be noted that investments below Rs. 5 lakhs were more or less stagnant since September, 1956. These investments amounted to Rs. 7.52 crores in September, 1956, Rs. 8.24 crores in January, 1961 and Rs. 8.96 crores in March, 1967.

Investments in large house companies (1.1.1961 to 31.3.1967)

14. The following table shows the pattern of loans and investment as at the end of March, 1967 among those large houses which accounted for one per cent or more of total investments of the Corporation.

(Amount in Rs. crores)

Investments in January 1961						Investments in March 1967					
	No. of cos.	Ordinary Shares	Preference Shares	Debentures	Total	No. of Cos.	Loans	Ordinary Shares	Preference Shares	Debentures	Total
1	2	3	4	5	6	7	8	9	10	11	12
Larger Houses											
1. A. C. C.	1	3.30 (7.0)	—	—	3.30 (3.6)	1	—	4.10 (3.6)	—	1.47 (3.1)	5.58 (2.8)
2. Andrew Yule	12	1.69 (3.6)	0.29 (1.4)	—	1.97 (2.2)	13	—	1.89 (1.6)	0.45 (1.5)	0.10 (0.2)	2.45 (1.2)
3. Bangur	10	0.45 (1.0)	0.86 (4.2)	0.41 (1.7)	1.73 (1.9)	13	—	1.59 (1.4)	1.18 (3.8)	1.73 (3.7)	4.51 (2.3)
4. Bird Heilger	16	1.42 (3.0)	0.63 (3.0)	0.58 (2.4)	2.62 (2.9)	16	—	2.41 (2.1)	0.68 (2.2)	0.74 (1.6)	3.83 (1.9)
5. Birla	22	1.62 (3.4)	3.73 (18.0)	0.37 (1.6)	5.72 (6.2)	34	0.44 (6.6)	9.13 (7.9)	5.89 (19.0)	4.11 (8.7)	19.57 (9.8)
6. Killick	5	2.04 (4.3)	0.01	1.03 (4.3)	3.08 (3.4)	5	—	2.97 (2.6)	0.13 (0.4)	2.92 (6.2)	6.02 (3.0)
7. Mafatlal	5	0.11 (0.2)	0.09 (0.4)	—	0.20 (0.2)	7	1.38 (20.7)	1.33 (1.2)	0.20 (0.6)	—	2.91 (1.5)

Contd. on next page

	1	2	3	4	5	6	7	8	9	10	11	12
8. Martin Burn	10	2.67 (5.6)	1.48 (7.1)	0.22 (0.9)	4.36 (4.7)	10	—	8.04 (7.0)	1.45 (4.7)	0.19 (0.4)	9.68 (4.9)	
9. Shri Ram	3	0.18 (0.4)	0.36 (1.7)	0.62 (2.6)	1.16 (1.3)	4	—	1.78 (1.6)	0.63 (2.0)	1.49 (3.2)	3.90 (2.0)	
10. Tata	16	5.80 (12.2)	3.13 (15.2)	2.87 (12.0)	11.80 (12.8)	20	0.70 (10.5)	15.56 (13.5)	3.00 (9.7)	6.12 (13.0)	25.38 (12.7)	
11. Walchand	5	0.74 (1.6)	0.13 (0.6)	0.40 (1.7)	1.27 (1.4)	6	—	2.05 (1.8)	0.14 (0.5)	0.47 (1.0)	2.67 (1.3)	
12. Macneil & Barry Binny	5	0.83 (1.7)	0.36 (1.7)	0.92 (3.9)	2.10 (2.3)	5	—	1.17 (1.0)	0.37 (1.2)	0.63 (1.3)	2.17 (1.1)	
13. Seshasayee	4	0.44 (0.9)	0.05 (0.5)	0.03 (0.2)	0.53 (0.6)	6	—	2.01 (1.8)	0.24 (0.8)	0.13 (0.3)	2.38 (1.2)	
Second Tier												
14. Thakersey	1	1.09 (2.3)	—	—	1.09 (1.2)	1	—	2.01 (1.8)	—	—	2.01 (1.0)	
15. Total (1 to 14)	115	22.38 (47.0)	11.10 (53.7)	7.45 (38.3)	43.93 (44.7)	141	2.52 (37.8)	56.04 (48.9)	14.37 (46.5)	20.10 (42.8)	93.06 (46.7)	

Figures in brackets are percentages to total investment.

15. It will be seen that the overall proportion of LIC's investments of one or more than one per cent to large house companies which was not materially altered during the period September 1956 to January 1961, has undergone a shift in favour of large houses during January 1961 and March 1967. As compared to Rs. 37.21 crores or 40.6 per cent of total investment to larger houses in January 1961, their share increased to Rs. 86.50 crores and constituted 43.4 per cent of the total investment of the Corporation. If the investments in two other large houses and one second tier company are included its proportion to total investments would rise to 44.7 per cent. In March 1967, such investments of the Corporation aggregated Rs. 93.06 crores and formed 46.7 per cent of total investment.

16. The housewise distribution of LIC's investments in March 1967 showed that though constituting its single largest investment, the proportion in the Tata companies remained unaltered around 12.8 per cent. But compared to other houses the investments in the Birla companies recorded sizeable increases. The number of the Birla companies in which the LIC had investments aggregating Rs. 2.52 crores or 4.4 per cent was 20 in September 1956. The number of companies and total investment in the Birla companies increased to 22 and to Rs. 5.72 crores or 6.2 per cent in January 1961, and further to 34 and Rs. 19.57 crores or 9.8 per cent, respectively, in March 1967.

Share of LIC in
the paid up capital
of companies

17. With the increase in the investment in ordinary and preference shares of companies during the period September 1956 to March 1967 the LIC has come to acquire a sizeable ownership stake in a number of public limited companies in the private sector. During this period other Government sponsored financial institutions such as IFCI, ICICI, and IDBI and the UTI also enlarged their direct investments and underwriting operations. The combined effect of all this has been to affect significantly the pattern of corporate ownership. The table showing frequency distribution of companies according to paid-up value of LIC's holdings of share capital of companies in September 1956 and March 1967 (relates to companies in which investment of Rs. 5 lakhs and above were made) is given as an Annexure.

18. As against 249 companies in September 1956 the Corporation had investment in ordinary shares of 419 companies in March 1967. In September 1956, its investment in a large majority of the companies—175 companies or 70.3 per cent, was less than 5 per cent of the paid-up capital. The proportion of companies in this size range of investment declined to 24.6 per cent (103 companies) in March 1967. As against only 3 companies in September 1956, the Corporation had investment ranging from 21 to 30 per cent of paid up capital in 57 companies (13.6 per cent) in March 1967. In 5 companies its holdings exceeded 30 per cent of paid up capital in March 1967. In September 1956, the Corporation had investments in ordinary shares of 183 large house companies or 73.5 per cent of the companies in which it had made investments. The number of such companies increased to 249 in March 1967, but its proportion to all companies, in which the LIC had investments in ordinary share capital declined to 59.4 per cent. In 1956, the Corporation had holdings up to 10 per cent of total ordinary share capital in 160 large house companies (87.4 per cent). The number of such companies in March 1967 was 125 and formed a lower proportion of 50.2 per cent. In contrast the proportion of large house companies in which the Corporation had investments of over 16 per cent of ordinary paid-up capital was 6.6 per cent in September 1956 as compared to 31.7 per cent in March 1967. As against only 3 companies in September 1956, there were 35 large house companies, forming 14 per cent, in which the ordinary shareholdings of the Corporation ranged between 21 to 30 per cent of the paid up capital. A large proportion, 24 out of 35 companies in which the LIC holdings formed 21 to 30 per cent of ordinary share capital were under the control of larger houses.

19. While the LIC's holding of ordinary shares of a company was generally restricted to 30 per cent of the paid up capital of a company there is no such restriction on its holding of preference capital of a company. As against 176 companies in September 1956, the Corporation had investments in preference shares of 277 companies in March 1967. In September 1956, the Corporation had investment exceeding 30 per cent of paid up preference capital only in 33 companies (which formed 18.8 per cent). There were 119 such companies in March 1967 (constituting 43 per cent). Of these 119

companies, 63 companies (52.9 per cent) were large house companies, 43 (36.1 per cent) larger house companies, 7 (5.9 per cent) large independent companies, and 49 (41.2 per cent) were other companies. In fact, in March 1967 there were 16 large house and 15 other companies in which the Corporation was holding more than 50 per cent of the preference capital.

Underwriting Operations

20. The following table shows assistance sanctioned by the LIC by way of underwriting of public issues of capital.

(Rs. crores)

	No. of Companies	Amount sanctioned ¹				No. of Companies	Amount Devolved ¹			
		Ordinary Shares	Preference Shares	Debentures	Total		Ordinary Shares	Preference Shares	Debentures	Total
1	2	3	4	5	6	7	8	9	10	11
1. Large Industrial Houses	93	5.73 (46.5)	7.19 (50.0)	19.36 (59.4)	32.88 (54.5)	84	3.23 (56.4)	5.38 (74.8)	17.16 (86.0)	25.77 (78.4)
2. Second Tier	5	0.45 (3.6)	0.15 (1.0)	—	0.60 (1.0)	5	0.42 (93.8)	0.14 (99.9)	—	0.57 (95.3)
3. Larger Houses	54	3.97 (32.2)	4.64 (32.3)	15.08 (44.9)	23.69 (39.3)	47	1.60 (40.3)	3.33 (71.8)	13.21 (57.6)	18.14 (76.6)
4. Large Independent companies	20	0.64 (5.2)	0.70 (4.9)	12.97 (38.6)	14.31 (23.7)	19	0.50 (76.8)	0.48 (68.2)	11.70 (80.2)	12.67 (88.5)
5. Foreign controlled companies	11	0.61 (5.0)	0.32 (2.2)	0.45 (1.3)	1.38 (2.3)	8	0.25 (41.4)	0.05 (15.4)	0.45 (100)	0.75 (54.3)
6. Others	144	4.90 (39.7)	6.02 (41.9)	0.23 (0.7)	11.15 (18.5)	121	4.11 (83.4)	4.52 (75.1)	0.23 (100)	8.85 (79.4)
7. All companies	273	12.33 (100)	14.38 (100)	38.61 (100)	60.32 (100)	237	8.51 (69.0)	10.57 (73.5)	19.54 (87.9)	48.61 (80.6)

1. Figures in brackets are percentages to total underwriting sanctioned to all companies.

2. Figures in brackets are percentages to the corresponding figures of sanctioned amounts.

21. The LIC has emerged as a major underwriting institution in the capital market with the total amount of underwriting assistance sanctioned by it during September 1956 to March 1967 aggregating over Rs. 60 crores in respect of public issues made by 237 companies to raise capital from the market. The amount actually devolved on it from its underwriting obligations was Rs. 48.61 crores in respect of 273 companies and formed 80.6 per cent of the assistance sanctioned by it. Rs. 12.33 crores or more than one-fifth of the assistance sanctioned was for ordinary shares and Rs. 47.99 crores or nearly four-fifths of the underwriting assistance was in respect of fixed dividend bearing industrial securities viz. preference shares and debentures. The share of 93 large house companies in total underwriting assistance granted by the

Corporation was Rs. 33.88 crores or 54.5 per cent, of which Rs. 23.69 crores or 39.3 per cent was in respect of 54 larger house-companies. Rs. 14.31 crores constituting 23.7 per cent of the total assistance was granted to 20 large independent companies. There were 144 other companies to which Rs. 11.15 crores or 18.5 per cent of total underwriting assistance was granted. The bulk of the underwriting of debentures was in respect of large house and large independent companies which together accounted for Rs. 32.93 crores or 98.0 per cent of the total.

22. The following table gives housewise distribution of underwriting assistance granted by the Corporation in respect of those houses to which the total assistance sanctioned was one per cent or more.

(Rs. crores)

Name of the Large Houses	No of companies	Underwriting Sanctioned ¹				Amount Devolved ²			
		Ordinary Shares	Preference Shares	Debentures	Total	Ordinary Shares	Preference Shares	Debentures	Total
1	2	3	4	5	6	7	8	9	10
Larger Houses									
1 A.C.C.	1	—	—	1.50 (4.5)	1.50 (2.5)	—	—	1.50 (100)	1.50 (100)
2 Bangur	5	0.15 (1.5)	0.53 (3.7)	1.00 (3.0)	1.68 (2.8)	0.15 (100)	0.53 (98.8)	1.00 (100)	1.67 (99.6)
3 Birla	20	1.02 (8.2)	3.14 (21.8)	3.58 (10.6)	7.73 (12.8)	0.28 (27.1)	1.97 (62.9)	3.57 (99.9)	5.28 (75.3)
4 ICI	1	1.55 (12.6)	—	—	1.55 (1.6)	0.004 (0.3)	—	—	0.004 (0.3)
5 Killick	3	0.08 (0.7)	0.27 (1.9)	2.65 (7.9)	3.00 (5.0)	0.03 (37.5)	0.27 (99.1)	2.65 (100)	2.95 (98.2)
6 Mafatlal	3	0.70 (5.7)	—	0.60 (1.8)	1.30 (2.2)	0.70 (1.0)	—	—	0.70 (53.9)
7 Shri Ram	3	—	0.35 (2.4)	1.50 (4.5)	1.85 (3.1)	—	0.35 (100)	1.50 (100)	1.85 (100)
8 Tata	9	0.15 (1.3)	—	3.65 (10.9)	3.80 (6.3)	0.15 (100)	—	2.62 (71.8)	2.78 (73.0)
9 Total (1 to 8)	45	3.65 (29.7)	4.29 (29.8)	14.48 (43.2)	22.41 (37.3)	1.314 (36.0)	3.11 (72.5)	12.84 (88.6)	17.27 (77.1)
Other Larger Houses									
10 Chinai	1	—	—	1.00 (3.0)	1.00 (1.7)	—	—	1.00 (100)	1.00 (100)

(Contd. on next page)

1	2	3	4	5	6	7	8	9	10
11 Jardine Henderson	2	—	0.20 (1.4)	0.50 (1.5)	0.70 (1.2)	—	0.12 (57.6)	0.49 (99.2)	0.61 (87.3)
12 Macneil & Barry-Binny	2	—	—	0.80 (2.4)	0.80 (1.3)	—	—	—	—
13 Mahindra & Mahindra	3	0.15 (1.2)	0.30 (2.1)	0.50 (1.5)	0.95 (1.6)	0.15 (100)	0.30 (100)	0.50 (100)	0.95 (100)
14 Modi	2	—	0.25 (1.7)	0.43 (1.3)	0.68 (1.1)	—	0.24 (98.6)	0.42 (77.3)	0.66 (97.8)
15 Nawrosjee Wadia	1	—	—	1.00 (3.0)	1.00 (1.7)	—	—	1.00 (100)	1.00 (100)
16 Seshasayee	6	0.49 (4.0)	—	0.30 (0.9)	0.79 (1.3)	0.49 (100)	—	0.18 (60.7)	0.67 (85.0)
17 Total (9 to 16)	62	4.29 (34.9)	5.04 (35.0)	19.01 (56.8)	28.33 (47.2)	1.95 (45.5)	3.77 (74.8)	(16.43) (86.4)	22.01 (78.2)
18 All Large Houses	93	5.73 (46.5)	7.19 (50.0)	19.96 (59.4)	32.88 (54.5)	3.23 (56.4)	5.38 (74.8)	17.16 (86.0)	25.77 (78.4)
19 All companies	273	12.33 (100)	14.38 (100)	33.61 (100)	60.32 (100)	8.51 (69.0)	10.57 (73.5)	29.54 (87.9)	48.61 (80.6)

1. Figures in brackets are percentages to total

2. Figures in brackets are percentages to amount sanctioned

23. Among the large houses, a large proportion of underwriting assistance granted by the Corporation was in respect of 62 companies belonging to 15 large houses, which accounted for Rs. 28.35 crores or 47.2 per cent of the total as compared to Rs. 32.88 crores of underwriting assistance granted to all large house companies. Even among the large houses the underwriting assistance of the Corporation showed a high concentration in 45 companies of 8 larger houses, which accounted for Rs. 22.41 crores or 37.3 per cent of the total assistance granted by it to all companies. The largest single beneficiary was the House of Birla whose 20 companies secured total underwriting assistance of Rs. 7.73 crores or 12.8 per cent of the total. Next in importance were 9 Tata companies accounting for Rs. 3.80 crores or 6.3 per cent, followed by 3 companies of the Killick-house which secured assistance for Rs. 3.00 crores or 5 per cent.

24. The growth in the underwriting operations of the LIC in respect of ordinary and preference shares and debentures after its nationalisation in September 1956 is shown in the Table below: —

Year	Large Industrial Houses	Second Tier	Larger Houses	Large Independent Companies	Foreign Controlled Companies	Others	All Companies
1	2	3	4	5	6	7	8
1. 1956 (Sept. Dec.)	25.0 (46.3)	—	20.0 (37.0)	5.0 (9.3)	—	24.0 (44.4)	54.0 (100)
2. 1957	123.5 (66.8)	5.0 (2.7)	78.5 (42.4)	55.0 (29.7)	—	1.5 (0.8)	185.0 (100)
3. 1958	10.0 (7.2)	—	—	115.0 (83.3)	—	13.0 (9.4)	138.0 (100)
4. 1959	60.8 (52.5)	—	50.8 (43.9)	40.0 (34.5)	—	15.0 (13.0)	115.8 (100)
5. 1960	185.0 (82.6)	7.0 (3.1)	115.0 (51.4)	6.5 (2.9)	—	25.4 (11.3)	223.9 (100)
6. 1961	330.0 (67.8)	—	205.0 (41.7)	10.0 (2.0)	—	151.5 (30.9)	491.5 (100)
7. Annual average (1957-61)	141.9	2.4	89.9	45.3	—	41.3	230.8
8. January 1962 March 1963	280.3 (23.5)	4.5 (0.4)	109.0 (9.1)	822.0 (68.9)	—	85.5 (7.1)	1192.3 (100)
9. 1963-64	354.2 (50.7)	40.0 (5.7)	246.2 (35.2)	55.0 (7.9)	11.0 (1.6)	238.5 (34.1)	698.7 (100)
10. 1964-65	739.0 (66.4)	—	569.0 (51.1)	60.0 (5.4)	44.0 (4.0)	270.0 (24.2)	1113.0 (100)
11. 1965-66	428.0 (56.6)	—	385.5 (51.0)	95.2 (12.6)	65.0 (8.6)	167.4 (22.2)	755.6 (100)
12. 1966 (upto December)	752.4 (70.7)	3.0 (0.3)	589.9 (55.5)	167.5 (15.7)	18.9 (1.8)	122.0 (11.5)	1063.8 (100)
13. Annual average (1962-66)	510.78	15.83	379.92	239.94	34.72	176.68	964.68
14. Total	3288.2 (54.5)	59.5 (1.0)	2368.9 (39.03)	1431.2 (23.7)	138.9 (2.3)	1113.8 (18.5)	6031.6 (100)

Figures in brackets are percentages to total for all companies

25. The underwriting assistance sanctioned by the Corporation in the initial years after nationalisation was rather modest. The yearly magnitude of underwriting assistance sanctioned during the three years 1957 to 1959 did not exceed Rs. 2 crores. But in the following two years, it was more than doubled every year and was a little less than Rs. 5 crores in 1961. The average annual amount of underwriting sanctioned during the first five years' period 1957-1961 was Rs. 2.31 crores. Of this, more than one-half was in respect of public issues of large house companies (1.42 crores) i.e., 62 per cent was for all large house issues. The average amount of assistance secured by other com-

panies was less than 20 per cent of the total. In the next five years from January, 1962, to December, 1966, the Corporation expanded its underwriting activity considerably, the average annual amount of assistance sanctioned recording an increase from Rs. 2.31 crores in the preceding five years' period to Rs. 9.65 crores, or more than a four-fold increase. There was an increase from less than 20 per cent during 1957-61 to nearly one-fourth during 1962-63 to 1966 in respect of the issues by large independent companies. The share of others continued to be about 18 to 19 per cent of the total amount underwritten as in the preceding period.

Frequency distribution of Companies according to Paid-up Value of LIC's Investment in Share Capital.

Number of Companies by Size Range of Shareholdings in Total Paid-up Capital.							
	Below 5%	6 to 10%	11 to 15%	16 to 20%	21 to 30%	Above 30%	Total
1	2	3	4	5	6	7	8
1. Large Industrial Houses							
(i) Ordinary Shares							
September, 1956	125(68.3) (71.4)	35(19.1) (81.4)	11(6.0) (68.7)	8(4.4) (86.4)	3(1.6) (100)	1(0.6) (33.3)	183(100) (73.5)
March, 1967	67(26.9) (67.0)	58(23.3) (55.2)	45(18.1) (52.3)	42(16.9) (66.7)	35(14.0) (61.4)	2(0.8) (40.0)	248(100) (59.4)
(ii) Preference Shares							
September, 1956	21(16.0) (63.7)	14(10.7) (56.0)	18(13.7) (75.0)	12(9.2) (85.7)	41(31.3) (87.2)	25(19.1) (75.8)	131(100) (74.4)
March, 1967	15(8.8) (68.2)	12(7.0) (70.6)	17(9.9) (63.0)	18(10.6) (66.7)	46(26.9) (70.8)	63(36.8) (52.9)	171(100) (61.7)
2. Larger Houses							
(i) Ordinary Shares							
September, 1956	70(61.9) (40.0)	24(21.2) (55.8)	9(8.0) (56.3)	6(5.3) (66.6)	3(2.7) (100.0)	1(0.9) (33.3)	113(100) (45.3)
March, 1967	45(29.0) (43.7)	34(21.9) (32.4)	22(14.2) (25.6)	29(18.7) (46.0)	24(15.5) (42.1)	1(0.7) (20.0)	155(100) (37.0)
(ii) Preference Shares							
September, 1956	11(12.5) (33.3)	10(11.4) (40.0)	10(11.4) (44.4)	5(5.7) (35.7)	33(37.5) (70.2)	19(21.5) (42.4)	88(100) (50.0)
March, 1967	8(7.0) (36.3)	8(7.0) (47.0)	10(8.8) (37.0)	13(11.4) (48.1)	32(28.1) (49.2)	43(37.7) (36.1)	114(100) (41.2)
3. Large Independent Companies							
(i) Ordinary Shares							
September, 1956	11(78.6) (6.3)	1(7.1) (2.3)	2(14.3) (12.5)	—	—	—	14(100) (5.6)

(Contd. on next page)

1	2	3	4	5	6	7	8
March, 1967	9(30.0) (8.7)	7(23.3) (6.7)	5(16.7) (5.8)	5(16.7) (7.9)	3(10.0) (5.3)	1(3.3) (20.0)	30(100) (7.2)
(ii) Preference Share							
September, 1956	4(26.7) (12.1)	2(13.3) (8.0)	3(20.0) (12.5)	—	1(6.7) (2.1)	5(33.3) (15.1)	15(100) (8.5)
March, 1967	1(5.3) (4.5)	2(10.5) (11.8)	2(10.5) (7.4)	4(21.1) (14.8)	3(15.8) (4.6)	7(36.8) (5.9)	19(100) (6.9)
4. Other Companies@							
(i) Ordinary Shares							
September, 1956	39(75.0) (22.3)	7(13.5) (16.3)	3(5.8) (18.8)	1(1.9) (13.6)	—	2(3.8) (66.7)	52(100) (20.9)
March, 1967	27(19.3) (26.3)	40(28.6) (38.1)	36(25.7) (41.9)	16(11.4) (25.4)	19(13.6) (33.3)	2*(1.4) (40.0)	140(100) (33.4)
(ii) Preference Shares							
September, 1956	8(26.7) (24.3)	9(30.0) (36.0)	3(10.0) (12.5)	2(6.6) (14.3)	5(16.7) (10.6)	3(10.0) (9.1)	30(100) (17.1)
March, 1967	6(6.9) (27.3)	3(3.5) (17.6)	8(9.2) (29.6)	5(5.7) (18.5)	16(18.4) (24.6)	49(56.3) (41.2)	87(100) (31.4)

* Inclusive of one fully-owned general insurance company.

@ These include second tier companies, foreign controlled companies, public sector companies and all other Joint Stock companies.



APPENDIX VI

TRUST OF

The seal of the Trust of the University of Cambridge, featuring a central shield with a cross and four lions, surrounded by a circular border with text.

संज्ञा संज्ञा



सत्यमेव जयते

APPENDIX VI-B(2)
UNIT TRUST OF INDIA

Organisation and
Functions

1. The Unit Trust of India was established in February 1964 under the UTI Act, 1963 with a view to encouraging saving and investment and participation in the income accruing to the Trust from the acquisition and management of securities. The general superintendence and management of the Trust is entrusted to a Board of Trustees. The Board consists of 10 trustees. The initial capital of Rs. 5 crores has been contributed by the financial institutions like the RBI, the LIC, the IFCI, the ICICI, the SBI, and its subsidiary banks and by the scheduled banks. The Trust has appointed an Executive Committee composed of its Chairman, Executive Trustee and 2 other trustees. The Act empowers the RBI to appoint its Chairman and an Executive Trustee, and also to nominate 4 trustees on its Board of Trustees under Clause 10. As regards trustees nominated by the RBI it is further stipulated that at least three such trustees shall be persons having special knowledge of, or experience in, commerce, industry, banking, finance or investment. The LIC and the SBI nominate one trustee each; and 2 trustees are elected by other institutions contributing to its initial capital.

2. The Unit Trust was set up, primarily as an investment institution, to mobilise savings mainly from small and medium income groups, through sale of units. The funds raised would be invested by the Trust in securities, which include shares, debentures, bonds and other stock of any company or body corporate in terms of Clause 19 (1)(b). The investment policy of the Trust is mainly guided by the consideration of obtaining maximum return on invested funds consistent with the security of capital. Its investments, at present, are mainly confined to industrial securities like first-mortgage debentures, preference shares and ordinary shares of well established and soundly managed non-Government companies. In order to obtain block investments the trust underwrites public issue of capital by such companies and applies for the full amount underwritten by it. It has, however, no power to grant loans.

3. Under Regulation 36 of the Trust's General Regulations, investments in any one company should not exceed 5 per cent of its total investible funds or 10 per cent of the issued capital, whichever is lower. But under certain conditions exceptions have been made in case of first mortgage debentures of large companies. At present, the Trust does not invest in the issue of new companies, which would not be able to pay dividend for a few initial years.

Analysis of
Investments

4. The analysis of investment operations of the Unit Trust presented below relate to two and a half years period of its existence. The statistics of investments, unless otherwise indicated, show the position as on 31st December, 1966 and relate to the book value of invest-

ments. The following tables shows UTI's total investments (direct and through underwriting) in shares and debentures of companies.

(Rs. Crores)

	Direct Purchases		Underwriting Assistance				Total Investment	
	Amount	Percent	Amount	Percent	Sanctioned	Devolved	Amount	Percent
1	2	3	4	5	6	7	8	9
1. Ordinary Shares	12.49	69.2	0.86	6.3	0.16	1.17	12.65	45.8
2. Preference Shares	2.32	12.8	2.00	14.7	1.15	12.0	3.47	12.5
3. Debentures	3.25	18.0	10.73	79.0	8.28	86.3	11.53	41.7
4. Total	18.06	100.0	13.59	100.0	9.59	100	27.65	100

5. The total investment of the Trust in the shares and debentures of 235 companies aggregated Rs. 27.65 crores. Direct investment from the market amounted to Rs. 18.06 crores and formed two-thirds of its total investment. Rs. 9.59 crores or one-third of the total investment represented the amount that devolved on the Trust and was subscribed by it through underwriting operations. While the bulk of the direct investment, Rs. 12.49 crores or 69.2 per cent, was in ordinary shares of companies, Rs. 8.28 crores or 86.3 per cent of the underwriting assistance was by way of subscriptions to debentures issued by companies.

Investments in Large House Companies

6. The following table shows the distribution of investment among the large houses and others:—

(Rs. crores)

	No. of Companies.	Ordinary Shares		Preference Shares		Debentures		Total	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
1	2	3	4	5	6	7	8	9	10
1. 51 Large Houses	142	7.86	62.13	3.01	86.74	7.79	67.56	18.66	67.4
2. Second Tier Companies	2	0.30	2.37	—	—	—	—	0.30	1.0
3. 18 Larger Houses	87	6.04	47.75	2.48	71.46	6.69	58.02	15.21	55.01
4. Large Independent Companies	22	1.89	14.94	0.12	3.46	3.11	26.97	5.12	18.52
5. Foreign Controlled Companies	13	0.28	2.21	0.01	0.29	0.47	4.08	0.76	2.75
6. Others	56	2.32	18.34	0.33	9.51	0.16	1.39	*2.81	10.16
7. All Companies (1+2+4+5+6)	235	12.65	100	3.47	100	11.53	100	27.65	100

* Includes Rs. 0.08 crore to 3 public sector undertakings.

7. It will be observed that the share of 87 companies of the 18 larger houses in UTI's total investments was Rs. 15.21 crores or nearly 55 per cent. The investment in ordinary shares of the larger houses was Rs. 6.04 crores and formed 48 per cent of investments by the Trust in the ordinary shares of all companies. The total investment of the Trust in the companies of the 51 large houses amounted to Rs. 18.66 crores and constituted 67.5 per cent of the total. These large houses accounted for 62.1 per cent of investment in ordinary shares, 86.7 per cent of preference shares and 67.6 per cent of debentures. A sizeable proportion of UTI's investment was in large independent companies and foreign controlled companies. Its total investment in large independent companies aggregated Rs. 5.12 crores and constituted 18.5 per cent. The total investment of the Trust in foreign controlled companies was Rs. 76 lakhs and formed 2.8 per cent of the total. Thus, the distribution of UTI's investments showed that large house companies, large independent companies, and foreign controlled companies, which together accounted for the bulk of its investment in ordinary shares (81.7 per cent), preference shares (90.5 per cent) and debentures (98.6 per cent).

8. The following table shows UTI's investments in the companies under the control of 18 larger houses:—

(Rs. lakhs)					
Business House	No. of Companies	Ordinary Shares	Preference Shares	Debentures	Total
1	2	3	4	5	6
1. A. C. C.	1	57 (4.5)	—	200 (17.3)	257
2. Andrew Yule	5	9	5	24	38 (1.4)
3. Bangur	5	28	13	37	78 (2.8)
4. Bird Heilgers	4	9	—	—	9 (0.3)
5. Birla	24	106 (8.4)	112 (32.5)	186 (16.1)	404 (14.6)
6. Goenka	1	—	1	—	1 (0.04)
7. ICI	2	10	1	—	11 (0.4)
8. J. K. Singhanian	5	11	10	—	21 (0.8)
9. Killick	4	44	—	35	79 (2.8)

(Contd. on next page)

(Rs. Lakhs)					
Business House	No. of Companies	Ordinary Shares	Preference Shares	Debentures	Total
1	2	3	4	5	6
10. Mafatlal	6	15	4	17	36 (1.3)
11. Martin Burn	3	47	5	—	52 (1.9)
12. Sarabhai	1	5	—	—	5 (0.2)
13. Scindia	1	26	—	—	26 (0.9)
14. Shri Ram	3	22	13	15	50 (1.8)
15. Soorajmull Nagarmull	3	4	10	—	14 (0.5)
16. Tata	10	182 14.4	61 (17.7)	88 (7.6)	331 (12.0)
17. Thapar	4	12	12	50	74 (2.7)
18. Walchand	5	17	1	17	35 (1.3)
19. Total (1 to 18)	87	604 (7.7)	248 (71.8)	669 (57.9)	1521 (55.0)
20. All Companies	235	1265 (100)	345 (100)	1155 (100)	2765 (100)

Figures in brackets indicate percentages to total.

9. It will be seen that the investments in the companies of the Larger Houses were mainly concentrated in three Large Houses, viz., Birla, Tata and ACC in order of their importance. The companies of the House of Birla rank first, accounting for Rs. 4.04 crores or 14.6 per cent of UTI's total investments; it is followed by Tata companies which accounted for Rs. 3.31 crores or 12 per cent and the ACC with Rs. 2.57 crores or 9.3 per cent of the total. These three large houses together accounted for Rs. 9.02 crores or 35.9 per cent of all the investments of the Trust.

Market Purchases

10. The total investment of Rs. 27.65 crores in shares and debentures is composed of Rs. 18.06 crores, or almost two-thirds of Unit Trust's total investments, of direct purchases from the market. The

following table shows the distribution of its market investments in shares and debentures of large house companies:

(Rs. crores)

	No. of Companies	Ordinary Shares		Preference Shares		Debentures		Total	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
1	2	3	4	5	6	7	8	9	10
1. All large houses	124	7.81	62.5	2.00	86.2	1.04	32.0	10.85	60.1
2. Second tier companies	2	0.30	2.4	—	—	—	—	0.30	1.7
3. Larger Houses	79	6.03	48.2	1.81	78.0	0.74	22.8	8.58	47.5
4. Large Independent Companies	21	1.89	15.1	0.14	6.0	2.14	65.8	4.17	23.1
5. Foreign controlled Companies	8	0.19	1.5	0.01	0.04	0.02	0.6	0.26	1.2
6. Others	49	2.30	18.4	0.17	7.3	0.05	1.5	2.52	13.9
7. All Companies (1+2+4 to 6)	204	12.49	100	2.32	100	3.25	100	18.06	100

11. More than two-thirds of the market investments or Rs. 12.49 crores, were in ordinary shares of companies. These investments were mainly in the shares of companies of the large houses and independent large companies which accounted for 78.0 per cent of such investment. Of the total market investments in shares and debentures the share of large industrial houses was Rs. 10.85 crores or 60.1 per cent, the bulk of which (Rs. 8.58 crores) was in 79 companies of 18 larger houses constituting 47.5 per cent. Twentyone large independent companies accounted for Rs. 4.17 crores or 23.1 per cent of market purchases by the Trust.

12. The distribution of direct investment from the market in the shares and debentures of 18 larger houses is shown below:

Business House	No. of companies	Ordinary Shares	Preference Shares	Debentures	Total
1	2	3	4	5	6
1. A.C.C.	1	57(4.5)	—	—	57(8.1)
2. Andrew Yule	4	9(0.7)	5(2.1)	4(1.2)	18(1.0)
3. Bangur	4	28(2.2)	13(5.6)	12(3.6)	53(2.9)
4. Bird Heilgers	4	9(0.7)	—	—	9(0.5)
5. Birla	20	106(8.4)	75(32.3)	16(4.9)	197(10.9)
6. Goenka	1	—	1(0.4)	—	1(—)

(Contd. on next page)

Business House	No. of Companies	Ordinary Shares	Preference Shares	Debentures	Total
1	2	3	4	5	6
7. ICI	2	9(0.7)	1(0.4)	—	10(0.5)
8. J.K. Singhania	5	11(0.8)	3(1.2)	—	14(0.7)
9. Killick	3	44(3.5)	—	5(1.5)	49(2.7)
10. Mafatlal	6	15(1.2)	4(1.7)	2(0.6)	21(1.1)
11. Martin Burn	3	47(3.7)	5(2.1)	—	52(2.8)
12. Sarabhai	1	5(0.4)	—	—	5(0.2)
13. Scindia	1	26(2.0)	—	—	26(1.5)
14. Shri Ram	3	22(1.7)	13(5.6)	15(4.6)	50(2.7)
15. Soorajmull Nagarmull	1	4(0.3)	5(2.1)	—	9(0.2)
16. Tata	10	182(14.6)	43(18.5)	9(2.7)	234(12.9)
17. Thapar	4	12(0.9)	12(5.1)	—	24(1.3)
18. Walchand	4	17(1.4)	1(0.4)	11(3.3)	29(1.6)
19. Total (1 to 18)	77	603(48.3)	181(78.0)	74(21.2)	858(44.5)
20. All Companies	204	1249(100)	232(100)	325(100)	1806(100)

Figures in brackets are percentages to total.

13. It will be seen that among the larger houses the market investments of the Trust showed a concentration in companies of the House of Tata and the House of Birla which accounted for Rs. 2.34 crores and Rs. 1.97 crores, respectively, or together accounted for 24 per cent of all market investments. Next in importance were the ACC and the companies of Bangur, Martin Burn and Shri Ram groups. The share of these 4 houses constituted about 12 per cent of the total.

Underwriting Assistance

14. The underwriting of shares and debentures by the UTI is generally in the form of firm investment and not underwriting *per se*. In view of this, the amount that devolved on the Trust indicates the amount subscribed by it and does not represent the shortfall in public response to the issues underwritten. The following table gives details of the Trust's underwriting operations.

	Underwriting sanctioned (Rs. crores)	Amount devolved (Rs. crores)	Amount devolved as percentage of amount underwritten
1	2	3	4
1. Ordinary Shares	0.86	0.16	18.6
2. Preference shares	20.0	1.15	57.5
3. Debentures	10.73	8.28	77.1
4. Total	13.59	9.59	70.5

15. The bulk of the assistance sanctioned by way of underwriting, Rs. 10.73 crores out of Rs. 13.59 crores, was in respect of debentures. Next in importance were preference shares (Rs. 2 crores) and a small amount (Rs. 86 lakhs) of ordinary shares. This shows the emphasis of its investment policy to invest its funds in fixed dividend securities. Most of the underwriting assistance was in respect of old established companies in the form of firm commitment to subscribe the amount underwritten.

	No. of companies	Underwriting sanctioned (Rs. crores)	Amount devolved (Rs. crores)	Amount devolved as percentage of amount underwritten
1. 24 large houses	50	10.43	7.81	74.8
2. Larger 12 Houses	33	8.28	6.63	80.5
3. Large Independent companies	5	1.60	0.95	59.3
4. Foreign controlled companies	6	0.73	0.54	73.9
5. Others	11	0.83	0.29	35.0
6. All companies (1, 3 to 5)	72	13.59	9.59	70.5

16. The underwriting assistance sanctioned by the Trust and the amount that devolved on it was mainly in respect of large house companies and large independent companies. The large house companies accounted for Rs. 10.43 crores out of Rs. 13.59 crores of underwriting sanctioned and Rs. 7.81 crores out of Rs. 9.59 crores subscribed by it. Among the large houses 33 companies of the 12 larger houses accounted for a large proportion of total assistance in the form of underwriting, Rs. 8.23 crores out of Rs. 13.59 crores. The share of these companies was substantial in the total amount devolved on the Trust at Rs. 6.63 crores out of Rs. 9.59 crores. The details of UTI's underwriting assistance to the companies of the 12 larger houses is shown below.

Business House	No. of companies.	Sanctioned*				Amount devolved@			
		Ordinary shares	Pref-erence Shares	Deben-tures	Total	Ordinary Shares	Pref-erence Shares	Deben-tures	Total
1	2	3	4	5	6	7	8	9	10
1. A.C.C.	1	—	—	200 (18.6)	200 (14.7)	—	—	200 (100)	200 (100)
2. Andrew Yule	3	—	—	28 (2.6)	28 (2.6)	—	—	20 (71.4)	20 (71.4)
3. Bangur	2	—	—	25 (2.3)	25 (1.8)	—	—	25 (100)	25 (100)

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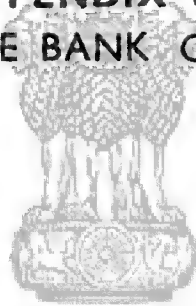
Business House	No. of compa- nies.	Sanctioned*				Amount devolved@			
		Ordinary shares	Pref- erence Shares	Deben- tures	Total	Ordinary Shares	Pref- erence Shares	Deben- tures	Total
1	2	3	4	5	6	7	8	9	10
4. Birla	12	—	59 (29.5)	200 (18.6)	259 (19.0)	—	37 (62.7)	170 (85.0)	207 (79.9)
5. I C I	1	11 (12.8)	—	—	11 (0.8)	1 (9.0)	—	—	1 (9.0)
6. J.K. Singhania	2	—	13 (6.5)	—	13 (0.9)	—	7 (58.8)	—	7 (53.8)
7. Killick	2	2 (2.3)	12 (6.0)	30 (2.8)	44 (3.2)	—	—	30 (100)	30 (68.2)
8. Mafatlal	2	—	—	15 (1.4)	15 (1.1)	—	—	15 (97.4)	15 (97.4)
9. Soorajmull Nagarmull	1	—	5 (2.5)	—	5 (0.3)	—	5 (100)	—	5 (100)
10. Tata	5	—	25 (12.5)	140 (13.0)	165 (12.0)	—	18 (72.0)	79 (56.4)	97 (58.7)
11. Thapar	1	—	—	50 (4.6)	50 (3.6)	—	—	50 (100)	50 (100)
12. Walchand	1	—	—	8 (0.7)	8 (0.5)	—	—	6 (75.0)	6 (75.0)
13. Total (1 to 12)	33	13 (15.1)	114 (57.0)	696 (64.9)	823 (60.6)	1 (9.0)	67 (65.6)	959 (85.5)	663 (80.6)
14. All companies	72	86 (100)	200 (100)	1073 (100)	1359 (100)	16 (18.6)	115 (57.5)	828 (77.1)	959 (70.5)

* Figures in brackets indicate percentage to total underwriting sanctioned.

@ Figures in brackets show amount devolved as percentage to amount sanctioned

17. Thirty-three companies of the 12 large houses accounted for Rs. 8.23 crores or 60.6 per cent of underwriting sanctioned by the Unit Trust. Among these houses assistance sanctioned was concentrated among three houses viz. Birla, ACC and Tata, which together accounted for Rs. 6.24 crores or 45.8 per cent of the total. Twelve companies of the Birla house were the largest beneficiaries with nearly one-fifth of the total amount underwritten by the Trust.

APPENDIX VI- D(I)
STATE BANK OF INDIA



सत्यमेव जयते



सत्यमेव जयते

APPENDIX VI-C(1) STATE BANK OF INDIA

1. The Imperial Bank of India was nationalised in 1955 and the State Bank of India was established under the SBI Act, 1955 with the main object of extending banking facilities on a large scale, more particularly in the rural and semi-urban areas, and for diverse other public purposes.

Share-Ownership

2. Section 5 of the Act provides that at any time the Reserve Bank must hold 55 per cent or more of its issued capital. The remaining share-holders can be individuals, companies, trusts, etc. As a matter of fact the RBI, at present, holds more than 90 per cent of its issued capital and less than 10 per cent is subscribed by other shareholders. It is also provided that no person will hold more than 200 shares of the Bank. Its issued and paid-up capital was Rs. 5.63 crores as at the end of December 1966.

Organisation

3. The Central Government, under Section 18(1), in consultation with the Reserve Bank of India, has power to issue directives in matters of policy involving public interest to the State Bank of India in discharging its functions (including those relating to the Subsidiary Banks). Under Section 19, the Central Board of the Bank is composed of a Chairman and a Vice Chairman appointed by the Central Government, not more than 2 managing directors, 2 to 4 directors elected by the shareholders other than the Reserve Bank in proportion to their shareholding, 2 to 6 directors nominated by the Central Government in consultation with the Reserve Bank, 7 presidents of the local Boards of the Bank who are ex-officio directors of the Central Board, and one director each nominated by the Reserve Bank and the Central Government. Apart from the elected directors, the nominated directors and presidents of the Local Boards, often, are persons who are closely connected with business and industry and associated with large houses. Moreover, shareholders other than the RBI, are entitled to elect 2 to 4 directors and therefore have proportionately a stronger representation in comparison with their shareholding. These provisions regarding elected directors also give an opportunity to large houses to get their representatives elected to the Board without any substantial capital investment.

Operational Policies

4. The scope of the operations of the State Bank of India is defined by the SBI Act, 1955. In terms of Section 17(2) of the Act "the Central Board in discharging its functions, shall act on business principles regard being given to the public interest." While the Bank has embarked on many developmental activities since nationalisation, which is the *raison d'être* for the establishment of the Bank, the impact of these activities is not significant compared to the total resources at the disposal of the Bank. Since 1956 a notable departure from the traditional lines of activity by the Bank has been its liberalised scheme for financing small scale industries, which represented a conscious effort to move away from traditional concepts of security. Following its liberalised approach to small industrial enterprises, the Bank has adopted a more flexible attitude in dealing with medium scale industries.

5. In its approach to the financing of large scale industries the Bank attempts to work in strict conformity with the order of priorities laid down and the directives and guidelines issued by the Reserve Bank of India from time to time. The bulk of the advances to industry is by way of short term accommodation for financing inventory holding and outstanding receivables. Recently the Bank has also started extending medium term loans to industrial concerns.

6. So far as new projects are concerned, the Bank is precluded from engaging in underwriting operations in respect of shares as such scrips cannot be held in its investment portfolio under the Act. Its assistance to new projects, therefore is confined to medium term loans and guarantees for foreign loans and/or suppliers' credits for plant and machinery. According to the Bank term lending cannot develop into a major activity of the bank and the continued predominance of advances repayable on demand is directed by the pattern of its deposits. In appraising industrial projects requiring term loans/deferred payment guarantees a critical evaluation of the feasibility of the project from technical, financial and economic angles is undertaken, and the quality of management also forms an important basis of its decision. As a general rule industries listed in the Five Year Plans are eligible for term loans or guarantees from the Bank. In recent years the State Bank has also started participation with other term financing institutions in the financing of large projects under the consortium arrangement organised by the IDBI.

7. At the end of December, 1966, the combined business of the State Bank of India and its Subsidiary Banks represented 29% of the deposits (Rs. 1123.2 crores) and 27% of advances (Rs. 667.5 crores) of scheduled commercial banks in India. Despite the fact that the liberalised credit scheme of the Bank has been in operation since 1956, the limits sanctioned to small industries by these banks aggregated only Rs. 85.7 crores or 12.7% of their total advances. The growth in the resources and advances of the SBI and Subsidiary Banks as at the end of December, 1955, 1960 and 1966 is shown below:-

(Rs. crores)								
	1955		1960		1966		Percentage increase in	
	SBI	Subsidiary Banks	SBI	Subsidiary Banks	SBI	Subsidiary Banks	SBI (1966 over 1955)	Subsidiary Banks (1966 over 1955)
1	2	3	4	5	6	7	8	9
1. Paid-up capital and Reserves.	11.98	—	13.08	7.07	16.96	8.21	41.5	16.1
2. Deposits								
i) Fixed deposits	33.90	—	312.81	53.35	358.67	139.86	958.2	162.2
ii) Saving deposits	27.93	—	41.84	19.46	120.94	50.43	333.0	159.1
iii) Demand deposits	164.16	—	221.67	30.71	396.37	56.99	141.4	85.6
iv) Total	225.99	—	576.32	103.52	875.98	247.28	287.6	138.8
3. Advances	105.81	—	232.24	58.88	540.68	126.85	411.0	115.4

Resources and Advances

Analysis of
SBI-data and its
Significance

8. The SBI and the Subsidiary Banks have mobilised large deposit resources. For the SBI the increase in deposits during the period 1955 to 1966 was nearly 288% and that for the Subsidiary Bank during 1960 to 1966 was 139%. But the growth of credit facilities extended by the SBI was at a higher rate as represented by its total advances which recorded an increase of 411%. The corresponding figures for the subsidiary banks was even lower (at 115.4%) than the growth of deposits.

9. The type of assistance granted by the SBI is different from other Government-sponsored term financing institutions, though it has started extending medium term loans in recent years. It is, however, precluded from engaging in underwriting operations. The Bank, generally provides short terms credit facilities to industry and trade in the form of loans and advances to meet working capital requirements by way of cash credits against the security of inventories and bills receivable. It must, however, be remembered that the distinction between short term and medium or long term loans is rather arbitrary. In this connection the Radcliffe Committee in its report on the Working of the Monetary System observed that "as has been repeatedly brought home to us by the evidence, there is no firm line of division, such as sometimes supposed to exist, between 'the market for credit' and 'the market for capital.....This is even more apparent on the side of borrowers. If they find it easier to obtain bank credit than to borrow on long term, they may use an overdraft to meet financial needs that would normally be satisfied by long term borrowing". (Report of the Committee on the Working of the Monetary System, 1959, p. 107). Short term loans renewed from year to year serve the same purpose as term loans in the financial structure of industrial enterprises. These loans and advances enable industrial enterprises to divert their own resources for long term investments. The Mahalonobis Committee on Distribution of Income and Levels of Living in its report observed that one noteworthy feature of assistance granted by the financial institutions of the public sector has been that companies with large reserves were enabled to invest large amounts in shares of other companies in the same group while heavily borrowing from the shares Government-sponsored financial institutions, including the State Bank of India.

10. The data in respect of credit facilities by the SBI, collected by the Committee, relate to maximum amount of cash credits, overdrafts and demand loan limits granted to a concern during the year in respect of credit limits of Rs. 5 lakhs and above. Further, limits granted for purchase and discount of demand and usance bills are also included. These data are analysed in Section I. Recently, SBI has started extending medium term loans to industries listed for development under the Plans. The SBI's medium term loan operations are analysed in Section II.

Section I - Credit Facilities

Total Credit
Facilities

11. In the first year of its operations in 1956, the SBI sanctioned credit limits for Rs. 146.70 crores. The quantum of the credit facilities

granted by it steadily increased during the eleven years from 1956 to 1966. By the end of the first five years of its existence (i.e. in 1961) the credit limits granted at Rs. 277.9 crores, were almost double the amount sanctioned in 1956. This pace was maintained in the next five years also, resulting in the limits further doubling to Rs. 563.18 crores, in 1966 and in effect showing a four-fold increase over the facilities granted in 1956. Details of credit facilities sanctioned by the SBI from 1956 are given in the Annexure. The large industrial houses accounted for 68.4% of the credit facilities sanctioned by the SBI, but their share steadily declined during the next ten years to 50% by 1966. The share of 20 larger houses also declined from 45% to 39%. This shift, however, is mainly due to a larger proportion of credit facilities being extended by the SBI to public sector undertakings and does not really show any decline in the share of large industrial houses if we take only the credit facilities granted to private sector. Facilities granted to public sector undertakings formed 2.7% in 1956, but their share in 1966 had increased to 16.1%. Credit limits below Rs. 5 lakhs increased from 5.8 crores to Rs. 40.6 crores with their share rising from 4% to 7%.

12. Throughout the period under consideration, the credit facilities granted by the SBI showed substantial assistance to a relatively small number of large companies. In 1956, only 210 companies were granted total credit facilities of Rs. 140.87 crores which constituted 96% of the total facilities aggregating Rs. 146.70 crores. In 1966, there were only 451 companies which absorbed Rs. 522.55 crores or 92.8% out of Rs. 563.18 crores of total credit facilities granted by the Bank. With the increase in the proportion of credit facilities sanctioned in favour of public sector undertakings from 2.7% in 1956 to 16.1% in 1966, there was some decline in the share of private sector companies from the level of 97.3% in 1956 to 83.9% in 1966. Notwithstanding this shift, the bulk of the credit facilities of the SBI were made available to a small number of large-sized companies whether belonging to large industrial houses, foreign controlled, large independent companies or non-large house other companies. *

13. The facilities extended to the public sector have increased at a rapid rate during the period under review. It would, therefore, be proper to exclude the credit facilities granted to public sector enterprises from the total facilities sanctioned by the SBI in order to assess the assistance granted by it to the private sector. The credit facilities

* As the outstanding amounts of loans and advances granted by the Bank would be fluctuating during the year the maximum credit limits would really indicate the total quantum of bank-credit. The average amount of outstanding credit has been estimated at the level of 75% of the limits sanctioned.

of Rs. 5 lakhs and above extended to large industrial houses and others by the SBI in 1956, 1961 and 1966 are shown in the table below.

(In crores of Rs.)

	1956			1961			1966		
	No. of Cos.	Amount	per cent	No. of Cos.	Amount	Per cent	cos. of	Amount	Per cent
1	2	3	4	5	6	7	8	9	10
PRIVATE SECTOR									
1. 49 large Industrial houses	125	100.39	73.3	152	166.00	67.0	196	281.51	66.7
2. 2nd Tier Companies	2	0.58	0.4	4	1.51	0.6	6	3.44	0.81
3. 18 Larger houses	79	66.59	48.6	91	121.14	48.9	119	217.89	51.6
4. Foreign controlled companies.	6	1.59	1.2	5	1.95	0.8	11	9.59	3.8
5. Large Independent companies	5	2.40	1.8	8	23.24	9.4	10	28.50	6.7
6. Others	68	31.96	23.3	93	54.87	22.2	185	99.23	23.5
7. Total (1+2+4 to 6)	206	136.92 (97.2)	100	262	247.57 (91.4)	100	408	422.27 (80.8)	100
8. Co-operatives	—	—	—	8	3.85 (1.4)	—	20	9.48 (1.8)	—
9. Public Sector undertakings.	4	3.95 (2.8)	—	13	19.44 (7.2)	—	23	90.80 (17.4)	—
10. Total (Rs. 5 lakhs and above) (7+8+9)	210	140.87 (100)	—	283	270.86 (100)	—	451	522.55 (100)	—

Figures in brackets are percentages to total.

14. Credit limits to 4 public sector companies which formed 2.8% (at Rs. 4 crores) in 1956 rose to 7.2% (or Rs. 19.4 crores) in 1961 in respect of 13 companies and further to 17.4% (Rs. 90.8 crores) in 1966 to 23 companies. There was a corresponding fall in proportion of assistance to private sector from 97.2% in 1956 to 80.8% in 1966. Of the total credit facilities granted by the Bank to the private sector, 125 companies of the large houses absorbed Rs. 100.39 crores or 73.3% in 1956. Their share in 1966 was Rs. 281.51 crores or 66.7% in respect of 196 companies. During this period the share of larger houses, however, showed an increase from 48.6% to 51.6%. The large house companies, their second tier and large independent companies secured three-fourths or more of the credit facilities extended by the Bank in all the three years viz. 1956, 1961 and 1966. On the other hand, the share of non-large house other companies ranged between 22 to 24% of the total during this period.

Credit Facilities to Large Industrial Houses

15. Out of credit limits aggregating Rs. 281.51 crores or 66.7% granted to 49 large houses in 1966, 18 larger houses accounted for Rs. 217.89 crores or 51.6%. The eleven larger houses and four other

large houses which were granted one per cent or more of the total credit limits in 1966 are listed below:-

(Rs. crores)

	1956		1961		1966	
	No. of Companies	Amount	No. of Companies	Amount	No. of Companies	Amount
1	2	3	4	5	6	7
Large Houses						
1. A.C.C.	1	2.25 (1.6)	2	8.75 (3.5)	2	18.55 (4.4)
2. Andrew Yule	5	4.20 (3.1)	5	4.10 (1.7)	7	11.55 (2.7)
3. Bangur	2	1.85 (1.4)	3	2.44 (1.0)	7	6.98 (1.7)
4. Birla	15	8.58 (6.3)	20	17.95 (7.2)	28	35.15 (8.3)
5. Goenka	5	3.90 (2.8)	4	4.05 (1.6)	4	7.40 (1.8)
6. Martin Burn	2	2.68 (2.0)	2	2.68 (1.1)	1	7.40 (1.8)
7. Sahu Jain	4	5.92 (4.3)	5	9.91 (4.0)	6	14.23 (3.4)
8. Shri Ram	2	2.17 (1.6)	2	6.24 (2.5)	3	11.37 (2.7)
9. Soorajmull Nagarmull	17	7.30 (5.3)	16	8.09 (3.3)	23@	23.85@ (5.6)
10. Tata	11	21.02 (15.4)	14	46.56 (18.8)	16	59.17 (14.0)
11. Sarabhai	1	0.07 (0.1)	—	— (—)	2	4.40 (1.0)
12. Total (1 to 11)	65	59.94 (43.9)	73	110.77 (44.7)	99	200.05 (47.4)
13. All Larger Houses	79	66.59 (48.6)	91	121.14 (48.9)	119	217.89 (51.6)
14. Jardine Henderson	6	6.91 (5.0)	7	6.61 (2.7)	7	5.79 (1.4)
15. Macneil & Barry- Binny	2	3.17 (2.3)	2	3.45 (1.4)	5	6.54 (1.5)
16. T. V. Sundaram- Iyengar	—	— (—)	3	2.06 (0.8)	6	8.04 (1.9)
17. Khatau	1	1.6 (1.2)	1	1.60 (0.7)	3	4.50 (1.1)
18. Total (12 & 14 to 17)	74	71.69 (52.4)	86	124.49 (50.3)	120	224.92 (53.3)
19. All Large Industrial Houses	125	100.39 (73.3)	152	166.00 (67.0)	196	281.51 (66.7)
20. Total— Private Sector	206	136.92 (100)	262	247.57 (100)	408	422.27 (100)

Figures in brackets are percentages to total.

@Includes BIC group of companies which was merged with Soorajmull Nagarmull in 1962.

16. Among the larger houses, Tatas were the largest single beneficiary throughout the period, accounting for 14.0% of the total limits sanctioned (at Rs. 59.2 crores) in respect of 16 companies in 1966 as compared to Rs. 21.0 crores or 15.4% sanctioned in 1956 to 11 companies. However, there was a spectacular increase in the credit facilities sanctioned by the Bank to the Birla companies, which recorded more than four-fold increase during the period 1956 to 1966. In 1956, 15 Birla-companies obtained credit limits for Rs. 8.6 crores which increased to Rs. 35.2 crores in respect of 28 companies in 1966. Their share in the aggregate credit limits showed a rise from 6.3% in 1956 to 8.3% in 1966. It will be seen that throughout the period under consideration more than half of the credit facilities sanctioned by the SBI to the private sector companies was to a comparatively small number of companies belonging to 11 larger houses and 4 other large industrial houses.

**Size-wise Distribution
of Credit Facilities.**

17. Of the total credit facilities extended in 1966 for Rs. 563.1 crores (inclusive of public sector undertakings), Rs. 40.6 crores were in respect of applications below Rs. 5 lakhs, the balance of Rs. 522.5 crores were sanctioned in favour of 565 applications. The table below gives the size-wise distribution of these credit limits.

(Rs. crores)									
Size-range (Rs. lakhs)	Large Indust- rial House	2nd Tier- compa- nies	Larger Houses	Foreign Contro- lled Com- panies	Public Sector Under- takings	Large Inde- pendent Comp- anies	Others	T o t a l	
								Amount	Percent
1	2	3	4	5	6	7	8	9	10
1. 5— 10	2.8 (47)	—	1.8 (31)	0.1 (2)	0.2 (3)	0.1 (2)	5.5 (81)	8.7 (135)	1.7
2. 10— 20	4.2 (25)	0.4 (3)	2.5 (15)	0.6 (4)	0.4 (3)	—	5.3 (34)	10.9 (69)	2.1
3. 20— 30	6.0 (23)	0.6 (3)	3.4 (13)	—	1.8 (7)	—	6.2 (23)	14.6 (56)	2.8
4. 30— 50	11.0 (25)	0.4 (1)	6.3 (14)	0.3 (1)	0.9 (2)	1.7 (4)	15.6 (36)	29.9 (69)	5.7
5. 50— 75	21.5 (32)	0.6 (1)	10.6 (16)	—	1.1 (2)	1.3 (2)	23.4 (37)	47.8 (74)	9.1
6. 75—100	24.1 (27)	—	16.9 (19)	1.0 (1)	1.9 (2)	—	11.0 (12)	38.0 (42)	7.3
7. 100—150	22.8 (17)	1.3 (1)	16.7 (12)	2.7 (2)	3.0 (2)	2.5 (2)	20.5 (16)	52.8 (40)	10.1
8. 150—200	37.7 (21)	—	32.4 (18)	—	2.0 (1)	—	3.3 (2)	43.0 (24)	8.2
9. Over 200	151.1 (33)	—	126.7 (24)	4.7 (1)	79.2 (12)	22.8 (4)	18.7 (6)	276.5 (56)	52.9
10. Total	281.5 (250)	3.4 (9)	217.8 (162)	9.5 (11)	90.8 (34)	28.5 (14)	108.8 (247)	552.5 (565)	100

Figures in brackets represent number of applications.

18. Although a large number of applications (135) fell in the size range of Rs. 5 to 10 lakhs, the amount involved constituted even less than 2% at Rs. 8.7 crores. On the other hand, only 56 applications or nearly one-tenth for over Rs. 2 crores each accounted for more than 50% of the credit facilities. Out of 56 applications for over Rs. 2 crores, there were 33 applications from large houses for Rs. 151.1 crores, larger houses claiming a major portion of Rs. 126.7 crores against 24 applications.

19. Some of the large house companies which were granted more than Rs. 10 crores of credit limits against a single application in 1966 were ACC (Rs. 15 crores), TELCO (Rs. 13 crores) and TISCO (Rs. 22 crores). The credit limit sanctioned to IISCO was Rs. 7.4 crores. These four companies together accounted for more than one-tenth of the total limits sanctioned during 1966. Among the non-large house companies, Indian Oil Corporation—a public sector undertaking and Oil India Ltd., an independent large company, were granted credit limits for Rs. 23 crores and Rs. 11 crores, respectively. Two of the large house companies which were granted separate limits for different units which together accounted for a substantial amount were the Delhi Cloth Mills Ltd, which was granted limits for Rs. 7 crores against 6 applications and Rohtas Industries Ltd. which secured Rs. 6.2 crores through 9 applications.

**Facilities Granted to
Director-Interested
Companies**

20. Apart from the elected directors, the nominated directors and presidents of Local Boards of the Central Board of the SBI, often, are persons closely connected with business and industry and associated with large houses. The composition of the Central Board of Directors of the Bank in 1966 is shown below:

Chairman
Vice-Chairman
Managing Directors

Shri V. T. Dehejia
Shri Kantilal T. Desai
Shri R. N. Chettur
Shri N. Ramanand Rao

Directors

Ex-officio under clause (bb) of sub-section (1) of Section 19 of the State Bank of India Act, 1955.

Shri Ramnath A. Podar
Shri D. P. Goenka
Shri P. Brahmayya
Shri S. K. Das
Mr. K. M. Wilcox
Shri Rohit C. Mehta
Raja Ramdave Row
Shri J.D. Choksi
Shri Pratapsinh Mathuradas

Elected under clause (c) of sub-section (1) of Section 19 of the Act.

Nominated by the Central Government clause (d) of sub-section (1) of Section 19 of the Act.

Shri Bharat Ram
Shri K. K. Birla
Shri S. N. Sen
Shri B.D. Garware
Shri P. Achutha Menon
Shri Arvind Narottam

Nominated by the Central Government under clause (e) of sub-section (1) of Section 19 of the Act.

Shri S. Jagannathan

Nominated by the Reserve Bank of India under clause (f) of sub-section (1) of Section 19 of the Act.

Shri M. R. Bhide

21. It will be seen that leading industrialists who are closely associated with large houses, are on the Central Board of the SBI. The following table shows credit facilities sanctioned by the Bank to companies in which its directors were interested.

(Rs. crores)

Business House	1956		1961		1966	
	No. of companies	Amount	No. of Companies	Amount	No. of Companies	Amount
1	2	3	4	5	6	7
Private Sector						
1. 27 large industrial houses	41	45.27 (84.5)	54	88.45 (83.5)	60	130.47 (75.2)
2. 2nd tier companies	—	—	—	—	2	0.56 (0.3)
3. 11 larger houses	24	39.87 (57.6)	30	67.88 (64.1)	36	106.12 (61.1)
4. Large Independent Companies	—	—	1	3.00 (2.8)	2	7.80 (4.5)
5. Others	8	7.73 (14.4)	11	13.57 (12.8)	20	21.46 (12.4)
6. Total (1+2+4+5)	49	53.00 (99.0)	66	105.02 (99.1)	84	160.29 (92.4)
7. Public Sector Companies	1	0.55 (1.0)	1	0.95 (0.9)	2	13.24 (7.6)
8. Total (6+7)	50	53.55 (100)	67	105.97 (100)	86	173.53 (100)
9. 8 as percentage of 10		38.0		39.1		33.2
10. Total Credit Limits sanctioned (Rs. 5 lakhs and above)	210	140.87	283	270.86	451	522.55

Figures in brackets are percentage to total.

22. Credit facilities to 50 companies in which directors were interested amounted to Rs. 53.55 crores or 38% of the total in 1956 and to Rs. 173.5 crores or one-third of total credit facilities (of Rs. 5 lakhs and above) to 86 such companies in 1966. Out of Rs. 173.5 crores sanctioned in 1966 to 86 director-interested companies, three-fourths or Rs. 130.5 crores to 60 companies was in favour of 27 large industrial houses. A major portion of this viz. 61.1% was in favour of 36 companies of 11 larger houses. Both in 1956 and 1966 six larger houses viz. ACC, Birla, Goenka, Shri Ram, Soorajmull Nagarmull and Tata had directors, either elected or nominated, on the Board of the State Bank of India. These houses secured credit facilities ex-

ceeding half of the total sanctioned to all director-interested companies in 1956 as well as in 1966. The number of companies involved was only 20 in 1956 and 29 in 1966 which secured facilities aggregating Rs. 28.27 crores and Rs. 96.8 crores, respectively.

Section II—Term Loans

Medium Term Loans

23. In addition to short-term credit to industries, the SBI started extending medium term loans from 1959 onwards by making use of refinance facilities made available by the former Refinance Corporation for Industries Ltd. Only those industries which are listed for development under the Five Year Plans are eligible for term loans from the Bank. The Bank grants term loans for export credit also. With the establishment of the IDBI in July 1964 the Bank started participating with other institutions in financing large industrial projects. In this, the IDBI assumes the role of 'leading bank' and the other members of the informal consortium share the total requirements of funds for large projects. The following table shows the amount of term loans sanctioned and disbursed upto the end of December 1966 and outstanding as on 31st December 1966.

(Rs. lakhs.)

	No. of Companies	Sanctioned	Disbursed*	Outstanding as on 31.12.1966
1	2	3	4	5
Private Sector				
1. Large Industrial Houses	30	1916.80 (61.9)	1755.30 (63.9)	1532.96 (61.2)
2. Larger Houses	13	761.67 (24.6)	623.17 (22.7)	566.91 (22.6)
3. Foreign controlled Companies.	1	470.00 (15.2)	470.00 (17.1)	470.00 (18.7)
4. Large Independent Companies.	1	120.00 (3.9)	—	110.23 (4.4)
5. Other companies	18	588.74 (19.0)	523.74 (19.00)	393.28 (15.7)
6. Total Private Sector (1+3+4+5)	50	3095.54(80.9) (100)	2749.04 (100)	2506.47(83.8) (100)
7. Public Sector Undertakings	1	160.10(4.2)	160.10	119.98(4.0)
8. Total (Rs. 5 lakhs and above)	51	3255.64(85.1)	2909.14	2626.45(87.8)
9. Less than Rs. 5 lakhs		572.21(14.9)	—	365.13(12.2)
10. Grand Total (8+9)		3827.85 (100)	—	2991.58 (100)

Figures in brackets indicate percentages.

*In respect of 4 companies disbursements on account of financing deferred payments are not given.

24. During the eight year period ending 1966, the SBI sanctioned term loans for a total amount of Rs. 38.28 crores. Of these, loans of less than Rs. 5 lakhs aggregated Rs. 5.72 crores or nearly 15 per cent. The balance of Rs. 32.56 crores was granted through 60 applications to 51 companies. Out of Rs. 32.56 crores sanctioned as term loans of Rs. 5 lakhs and above Rs. 29.09 crores were disbursed, and Rs. 26.26 crores were outstanding at the end of December 1966.

25. Thirty large house companies secured the bulk of term loans, Rs. 19.17 crores out of Rs. 30.95 crores, sanctioned to 50 private-sector companies by the Bank. Amongst these, 13 companies of larger houses obtained Rs. 7.62 crores or nearly one-fourth of total assistance. The share of one foreign controlled company viz., Calcutta Electric Supply Corporation Ltd. alone was Rs. 4.70 crores or over 15 per cent. Out of total term loans sterling loans worth Rs. 3.66 crores constituting more than 10 per cent were sanctioned at the Bank's London office to 4 companies; of these one was a Birla company, one a Parry company and one was a public sector undertaking.

26. The following table shows the distribution of term loans of Rs. 1 crore and above sanctioned by the SBI to 8 large industrial houses.

(Rs. lakhs).			
	No. of Companies	Sanctioned	
		Amount	Percentage
1	2	3	4
Larger Houses			
1. Andrew Yule	2	132.00	4.0
2. Birla	4	231.17	7.1
3. Goenka	1	180.00	5.5
4. Soorajmull Nagarmull	4	125.00	3.8
Large Industrial Houses			
5. Kasturbhai Lalbhai	1	300.00	9.2
6. Parry	2	202.58	6.2
7. Podar	2	182.30	5.6
8. T.V. Sundaram Iyengar	4	263.00	8.1
9. Total (1 to 8)	20	1616.05	49.6
10. All Large industrial house	31	1916.80	58.9
11. Total (Rs. 5 lakhs and above)	51	3255.64	100.0

27. The bulk of the assistance sanctioned to large industrial houses was in respect of 20 companies of 8 large houses, which absorbed Rs. 16.16 crores out of Rs. 19.17 crores granted to 31 large house companies. These 8 large industrial houses accounted for almost half of the

total assistance granted by the Bank in the form of term loans. House-wise, 1 company of Kasturbhai was granted Rs. 3 crores. The next most favoured beneficiary was the T.V.S. group which was sanctioned Rs. 2.63 crores in respect of four companies, followed by 4 Birla group companies which secured Rs. 2.3 crores.

**Annexure—Credit Facilities Granted (maximum credit limits sanctioned)* by
State Bank of India During 1956 to 1966.**

(In crores of Rs.)											
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
1	2	3	4	5	6	7	8	9	10	11	12
1. Large Industrial Houses	100.39 (68.4)	120.28 (68.6)	127.98 (69.0)	140.24 (69.5)	152.37 (63.8)	166.00 (59.7)	190.10 (59.8)	212.65 (57.6)	255.86 (53.7)	262.50 (50.3)	281.51 (50.0)
2. Second Tier Companies	0.58 (0.4)	0.70 (0.4)	0.30 (0.2)	0.30 (0.1)	0.66 (0.3)	1.51 (0.6)	1.63 (0.5)	2.67 (0.7)	2.85 (0.6)	3.49 (0.7)	3.44 (0.6)
3. Larger Houses	66.59 (45.4)	84.45 (48.2)	89.92 (48.5)	101.59 (50.3)	111.52 (46.7)	121.14 (43.6)	153.82 (48.4)	168.15 (45.6)	200.89 (42.2)	206.47 (39.5)	217.89 (38.7)
4. Foreign Controlled Companies	1.59 (1.1)	2.00 (1.1)	2.03 (1.0)	2.00 (1.0)	1.94 (0.8)	1.95 (0.7)	2.01 (0.6)	3.07 (0.8)	9.17 (1.9)	9.24 (1.7)	9.59 (1.7)
5. Large Independent Companies	2.40 (1.6)	3.24 (1.8)	4.74 (2.6)	5.99 (3.0)	15.74 (6.6)	23.24 (8.4)	17.25 (5.4)	19.00 (5.2)	25.60 (5.4)	26.54 (5.1)	28.50 (5.1)
6. Public Sector Undertakings	3.95 (2.7)	4.16 (2.4)	5.26 (1.8)	5.42 (2.7)	12.71 (5.3)	19.44 (7.0)	30.00 (9.4)	44.16 (12.0)	69.55 (14.6)	81.08 (15.5)	90.80 (16.1)
7. Others	31.96 (21.8)	38.33 (21.8)	38.49 (20.8)	41.43 (20.5)	48.77 (20.4)	58.72 (21.1)	67.54 (21.3)	76.70 (20.8)	95.15 (20.0)	102.32 (19.5)	108.71 (19.3)
8. Total (Rs. 5 lakhs and above) (1+2+4 to 7)	140.87 (96.0)	168.71 (96.3)	178.80 (96.4)	195.38 (96.8)	232.19 (97.2)	270.86 (97.5)	308.53 (97.0)	358.25 (97.1)	458.18 (96.2)	485.18 (92.9)	522.55 (92.8)
9. Below Rs. 5 lakhs	5.83 (4.0)	6.51 (3.7)	6.62 (3.6)	6.39 (3.2)	6.59 (2.8)	7.04 (2.5)	9.49 (3.0)	10.66 (2.9)	18.26 (3.8)	37.18 (7.1)	40.63 (7.2)
10. Total	146.70 (100)	175.22 (100)	185.42 (100)	201.77 (100)	238.78 (100)	277.90 (100)	318.02 (100)	368.91 (100)	476.44 (100)	522.36 (100)	563.18 (100)

Figures in brackets are percentages to total.

*As the outstanding amounts of loans and advances granted by the Bank would be fluctuating during the year the maximum credit limits would really indicate the total quantum of bank credit. The average amount of outstanding credit has been estimated at the level of 70 to 75 percent of the limits sanctioned.

APPENDIX VI- C(2)
SUBSIDIARY BANKS OF THE STATE BANK OF INDIA



सत्यमेव जयते



सत्यमेव जयते

APPENDIX VI-C(2)
SUBSIDIARY BANKS OF THE STATE BANK OF INDIA

The Set-up

1. The State Bank of India (Subsidiary Banks) Act 1959 provided for the constitution of 8 major State-associated banks as subsidiaries of the State Bank of India. The Act also provided that a subsidiary Bank would, if so required by the State Bank, act as an agent of the State Bank at any place in India for a) paying, receiving collecting and remitting money, bullion and securities on behalf of any Government in India, b) undertaking and transacting any other business which the Reserve Bank may from time to time entrust to the State Bank. The State Bank of Hyderabad was the first to be constituted as a subsidiary bank on 1st October, 1959. The State Bank of Bikaner, the State Bank of Indore, the State Bank of Jaipur and the State Bank of Travancore were set up on 1st January 1960 while the State Bank of Mysore, the State Bank of Patiala and the State Bank of Saurashtra were constituted on March, 1, April 1, and May 1, 1960, respectively. With the amalgamation of the State Bank of Bikaner and State Bank of Jaipur in January 1963 there are now 7 subsidiary banks. Thus, these institutions through their closer association with the State Bank of India, would be in a position to render to their constituents and the public wider and more efficient service.

Bank-wise Pattern of credit facilities

2. The analysis of the data obtained from the Subsidiary Banks relates to their operations from the period of their establishment in 1959-60 to the period ending December, 1966. As in the case of the SBI, these relate to maximum credit limits of Rs. 5 lakhs and above sanctioned by these banks. The following table shows bankwise distribution of total credit limits sanctioned by the Subsidiary Banks during the period 1960 to 1966.

		(Rs. crores)					
Name of the Bank (1)	1960 (2)	1961 (3)	1962 (4)	1963 (5)	1964 (6)	1965 (7)	1966 (8)
<u>State Bank of</u>							
1. Bikaner and Jaipur	16.18 (13.23)	20.05 (16.64)	21.98 (16.48)	46.09 (39.49)	53.32 (41.70)	47.03 (32.35)	49.75 (19.11)
2. Hyderabad	5.09 (—)	7.50 (—)	12.45 (—)	34.50 (21.59)	38.74 (23.78)	39.65 (21.11)	48.20 (21.03)
3. Indore	10.89 (6.71)	11.11 (6.98)	12.33 (7.98)	12.37 (7.27)	14.72 (7.87)	15.25 (7.81)	15.58 (6.40)
4. Mysore	18.47 (12.09)	21.06 (13.33)	22.14 (9.80)	26.22 (8.97)	30.70 (9.96)	30.25 (8.84)	33.70 (7.33)
5. Patiala	3.55 (1.43)	4.16 (1.67)	4.30 (1.71)	6.48 (1.48)	8.89 (2.53)	12.87 (3.23)	12.19 (0.60)
6. Saurashtra	7.93 (2.19)	7.28 (1.64)	8.84 (2.77)	8.00 (0.21)	30.91 (19.87)	23.79 (19.63)	32.61 (17.78)
7. Travancore	5.00 (0.06)	4.90 (0.02)	5.50 (0.23)	8.09 (0.03)	12.98 (1.27)	17.42 (0.65)	25.15 (2.61)
8. Total :	67.11 (35.71)	76.06 (40.28)	87.54 (38.97)	141.75 (79.04)	190.26 (106.98)	195.26 (93.62)	217.18 (74.86)

Figures in brackets indicate credit limits of less than Rs. 5 lakhs.

3. During the period both the number of concerns as well as the credit facilities sanctioned by the Banks progressively increased. Total credit limits increased from Rs. 67.11 crores in 1960 to Rs. 217.18 crores, while limits below Rs. 5 lakhs increased from Rs. 35.71 crores to Rs. 74.86 crores during the same period. Maximum credit facilities were sanctioned by the State Bank of Bikaner and Jaipur, followed by the State Bank of Hyderabad and the State Bank of Mysore, which sanctioned Rs. 49.75 crores, Rs. 48.20 crores and Rs. 33.70 crores, respectively, in 1966.

**Overall Pattern of
Credit Facilities**

4. The following table shows the distribution of total credit facilities sanctioned by the subsidiary banks as on 31st December 1966 to the various groups together with credit facilities sanctioned below Rs. 5 lakhs.

(Rs. crores)							
(1)	1960 (2)	1961 (3)	1962 (4)	1963 (5)	1964 (6)	1965 (7)	1966 (8)
1. Large Industrial Houses	9.07 (13.5)	10.78 (14.2)	12.52 (14.5)	16.26 (11.5)	25.60 (31.5)	30.09 (15.4)	48.59 (22.4)
2. 2nd Tier companies	0.45 (0.7)	0.42 (0.5)	0.67 (0.7)	0.97 (0.7)	1.25 (0.6)	1.61 (0.8)	1.59 (0.7)
3. Larger Houses	4.22 (6.3)	5.26 (6.9)	5.92 (6.8)	8.71 (6.1)	14.43 (7.6)	16.44 (8.4)	32.33 (14.9)
4. Public Sector Undertakings	3.64 (5.4)	5.47 (7.2)	11.36 (13.0)	12.07 (8.5)	13.93 (7.3)	18.87 (9.7)	30.95 (14.3)
5. Large Independent Companies	0.74 (1.1)	0.74 (1.0)	1.99 (2.3)	4.72 (3.3)	5.63 (3.0)	6.94 (3.6)	10.41 (4.8)
6. Others*	17.50 (26.1)	18.37 (24.1)	22.03 (25.2)	28.69 (20.2)	36.87 (19.4)	44.13 (22.6)	50.78 (23.3)
7. Sub-total (1+2+4+6)	31.40 (46.8)	35.78 (47.0)	48.57 (55.5)	62.71 (44.2)	83.28 (43.8)	101.64 (52.1)	142.32 (65.5)
8. Amount below Rs. 5 lakhs	35.71 (53.2)	40.28 (53.0)	38.97 (44.5)	79.04 (55.8)	106.98 (56.2)	93.62 (47.9)	74.86 (34.5)
9. Grand total (7+8)	67.11 (100)	76.06 (100)	87.54 (100)	141.75 (100)	190.26 (100)	195.26 (100)	217.18 (100)

*Limits sanctioned to others are inclusive of those sanctioned to co-operative societies. Credit limits sanctioned to co-operative societies were for Rs. 90 lakhs in 1960, Rs. 1.86 crores in 1963 and Rs. 2.85 crores in 1966. Figures in brackets indicate percentage total.

5. Between 1960 and 1966 the credit facilities sanctioned by the Subsidiary Banks increased from Rs. 67.11 crores to Rs. 217.18 crores. During the period the percentage share in favour of large industrial house and larger houses increased gradually. Large houses in 1960 accounted for Rs. 9.07 crores (13.5 per cent), while in 1966 they were sanctioned credit facilities totalling Rs. 48.59 crores (22.4 per cent).

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**Credit Facilities to
Large Houses**

6. The following table separately shows the credit facilities of Rs. 5 lakhs and above sanctioned to all concerns in the private sector and to public sector undertakings.

(Rs. crores)

	1960		1963		1966	
	No. of Cos.	Amount	No. of Cos.	Amount	No. of Cos.	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)
PRIVATE SECTOR						
1. 23 Large Industrial Houses	23	9.07 (32.7)	29	16.26 (32.1)	63	48.59 (43.6)
2. Second Tier Companies	2	0.45 (1.6)	2	0.97 (1.9)	3	1.59 (1.4)
3. 13 Larger Houses	13	4.22 (15.2)	13	8.71 (17.2)	35	32.33 (29.0)
4. Large Independent Companies	2	0.74 (2.7)	5	4.72 (9.3)	12	10.41 (9.3)
5. Others*	73	17.50 (63.0)	108	28.69 (56.7)	141	50.78 (45.6)
6. Sub-Total (1+2+3+4)	102	27.76 (88.4) (100)	144	50.64 (80.8) (100)	219	111.37 (78.3) (100)
PUBLIC SECTOR						
7. Public Sector Undertakings	6	3.64 (11.6)	11	12.07 (19.2)	23	30.95 (21.7)
8. Total (6+7)	108	31.40 (100)	155	62.71 (100)	242	142.32 (100)

*Limits sanctioned to other concerns are inclusive of those sanctioned to co-operative societies. Credit limits sanctioned to co-operative societies were for Rs. 90 lakhs in 1960, Rs. 1.86 crores in 1963 and Rs. 2.85 crores in 1966.

Figures in brackets are percentages

7. Credit facilities sanctioned in favour of 6 public sector undertakings were Rs. 3.64 crores or 11.6 per cent while the private sector was sanctioned Rs. 27.76 crores or 88.4 per cent for 102 concerns in 1960. In 1966 the share of 23 public sector undertakings increased to Rs. 30.95 crores or 21.7 per cent and that of 219 private sector concerns was Rs. 111.37 crores or 78.3 per cent. However, to know the relative importance of the share of large industrial houses and large independent companies in the credit facilities sanctioned by the Subsidiary Banks the analysis should be restricted to the total credit facilities extended by these banks to the private sector only. If we exclude the share of the public sector undertakings, 25 large house companies in 1960, were sanctioned 32.7 per cent of the credit facilities granted to the private sector and their share increased significantly by 1966 to 43.6 per cent in respect of 63 companies. In 1966, Rs. 60.59 crores or 54.3 per cent of the assistance sanctioned in the private sector was claimed by large industrial houses, their associate concerns and large independent companies.

8. The following table shows the distribution of assistance to a few large industrial houses which were sanctioned credit limits of 1 per cent and above in 1966 by the Subsidiary Banks.

(Rs. crores)

	1960		1963		1966	
	No. of Cos.	Amount	No. of Cos.	Amount	No. of Cos.	Amount
1	2	3	4	5	6	7
Larger Houses						
1. Andrew Yule	—	—	1	1.50 (3.0)	1	1.47 (1.3)
2. Bangur	4	1.59 (5.7)	4	1.63 (3.2)	6	6.56 (5.9)
3. Bird Heilgers	—	—	—	—	2	3.75 (3.4)
4. Birla	3	1.61 (5.8)	4	3.82 (7.5)	13	11.31 (10.2)
5. Goenka	—	—	1	0.80 (1.6)	1	1.49 (1.3)
6. Shri Ram	—	—	—	—	2	3.71 (3.3)
7. Tata	2	0.35 (1.3)	1	0.15 (0.3)	2	1.48 (1.3)
8. Sub-total (1 to 7)	9	3.55 (12.8)	11	7.90 (15.6)	27	29.77 (26.7)
Other large industrial houses						
9. Bajaj	—	—	—	—	2	1.88 (1.7)
10. Kamani	1	0.57 (2.1)	1	0.97 (1.9)	1	1.17 (1.1)
11. Parry	—	—	—	—	3	1.50 (1.3)
12. Seshasayee	1	1.45 (5.2)	2	2.98 (5.9)	2	3.93 (3.5)
13. Thiagaraja	4	0.83 (3.0)	5	1.23 (2.4)	4	1.21 (1.1)
14. Sub-total (9 to 13)	6	2.85 (10.3)	8	5.18 (10.2)	12	9.69 (8.7)
15. Total (8+14)	15	6.40 (23.1)	19	13.08 (25.8)	39	39.46 (35.4)
16. All large industrial houses	25	9.07 (32.7)	29	16.26 (32.1)	63	48.59 (43.6)
Second Tier Companies						
17. Birla	3	0.45 (1.6)	3	0.97 (1.9)	4	1.59 (1.4)
18. Total Private Sector*	102	27.76 (100)	144	50.64 (100)	219	111.37 (100)

Figures in brackets are percentages to total

*Limits sanctioned to private sector are inclusive of those sanctioned to co-operative societies. Credit limits sanctioned to co-operative societies were for Rs. 90 lakhs in 1960. Rs. 1.86 crores in 1963 and Rs. 2.85 crores in 1966.

9. The major part of the assistance to 12 large industrial houses was absorbed by the seven larger houses. The House of Birla was foremost in the grant of these credit facilities and ever since 1960 its share has steadily increased. The House of Birla accounted for 10.2 per cent of the limits sanctioned at Rs. 11.31 crores in respect of 13 companies in 1966 as compared to Rs. 1.61 crores or 5.8 per cent sanctioned in 1956 to 3 companies. Next in order of importance was Bangur, also a Larger house, which received Rs. 6.56 crores, or almost 6 per cent for 6 companies in 1966. The share of large industrial houses in the private sector has thus been increasing over the years and 39 concerns of these 12 large houses in 1966 absorbed Rs. 39.46 crores or 81.2 per cent of the total credit facilities of Rs. 48.59 crores granted to 63 concerns of all large industrial houses.

**Facilities to Director-
interested Companies**

10. The Board of Directors of a Subsidiary Bank consists of (a) a Chairman (b) an officer of the Reserve Bank to be nominated by that Bank (c) not more than five Directors to be nominated by the State Bank of India of whom not more than three shall be officers of that Bank (d) two directors to be elected in the prescribed manner by the shareholders, other than the SBI. Although these banks are nationalised banking institutions, local industrialists and businessmen are associated in their management as nominated or elected directors. The following table shows the grant of credit facilities (of Rs. 5 lakhs and above) to Companies in which the directors of the Subsidiary Banks were interested:

(Rs. in crores)						
	1960		1963		1966	
	No. of Compa- nies	Amount	No. of Compa- nies	Amount	No. of Compa- nies.	Amount
1	2	3	4	5	6	7
<u>Private sector</u>						
1. Large Industrial Houses	5	2.93 (35.8)	6	5.66 (31.6)	7	7.59 (31.0)
2. Larger Houses	—	—	1	0.80 (4.5)	2	1.99 (8.1)
3. Large Independent companies	—	—	—	—	1	0.40 (1.6)
4. Others	15	2.96 (36.1)	22	5.51 (30.7)	26	8.07 (32.9)
5. Sub-total (1+3+4)	20	5.89 (71.9)	28	11.17 (62.3)	34	16.06 (65.5)
6. <u>Public Sector</u>	2	2.30 (28.1)	3	6.76 (37.7)	5	8.46 (34.5)
7. Total to Director- interested companies (5+6)	22	8.19 (100)	31	17.93 (100)	39	24.52 (100)
8. Total assistance (Rs. 5 lakhs and above)	108	31.40	155	62.71	242	142.32
9. 7 as percentage of 8		26.1		28.6		17.2

Figures in brackets are percentages to total

11. Credit limits sanctioned to 22 concerns in which directors were interested in 1960 were Rs. 8.19 crores or 26.1 per cent of total assistance and, in 1966, 39 such concerns were granted Rs. 24.52 crores which formed 17.2 per cent of the total assistance. The proportionate share of director-interested concerns in total credit facilities would be higher at 47.3 per cent if the facilities granted to public sector undertakings are excluded. Out of the Rs. 24.52 crores sanctioned in 1966 to 39 director-interested concerns, Rs. 7.59 crores or 31.0 per cent was in favour of 7 large house concerns.



APPENDIX VI-D (I) to (4)



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APPENDIX VI-D (I)

Statement I—Financial Assistance Sanctioned Industry-wise by IFC/ICICI/IDBI (*), SFCs (**)/SIDCs
(upto 31st December, 1966)

Name of the Company	Description of main lines of business activities indicating the industrial classification, if possible	Names of Directors of the Corporation who as Directors/Promoters were interested in the applicant company or in the managing company (at the time of application for financial assistance)	Date of the original Industrial Licence & subsequent changes in the licence holder	Dates of application for and sanction of assistance						Remarks, if any (regarding special reasons or justification for sanction, reasons for undue delay in sanction etc.)
				Loan		Underwriting		Guarantee		
				Applica- tion	Sanction	Appli- cation	Sanction	Appli- cation	Sanction	
1	2	3	4	5	6	7	8	9	10	11
1.										
2.										

(*) In this statement, only direct financial assistance granted by the IDBI should be given.

(**) In case of SFCs, company-wise information should be given only in respect of public and private limited companies, which were sanctioned financial assistance of Rs. 5 lakhs and above. Sanctions below Rs. 5 lakhs may be grouped together, and indicated at the end of the statement.

Statement II—Project Cost and Means of Financing of Companies Assisted by IFC/ICICI/IDBI*/SFCs SIDCs
(upto 31st December, 1966) as Estimated at the Time of Sanction.**

Name of the Company	Capital Cost of the Project (as Estimated at the Time of Sanction) (Rs. in lakhs)***	Means of Financing the Project Cost			Contribution to Project Cost by Promoters and Collaborators.			Direct Financial Participation by Government		Please Give the Names of Other Financial Institutions which Participated in Financing the Project.		
		Share Capital	Debentures	Loans	Deferred Payments etc.	Other Sources i.e. Internal Accretions	Promoters, Directors and Their Friends & Relations	Collaborators	Total		Share Capital	Loan
1	2	3	4	5	6	7	8	9	10	11	12	13

* In this Statement, only direct financial assistance granted by the IDBI should be given.

** In case of SFCs, company-wise information should be given only in respect of public and private limited companies which were sanctioned financial assistance of Rs. 5 lakhs and above. Sanctions below Rs. 5 lakhs may be grouped together and indicated at the end of the Statement.

*** Indicate whether the cost includes working capital or not or only the margin money for working capital. The figure in column 2 should equal the total of columns 3 to 7.

Statement III—Financial Assistance Granted by IFC/ICICI/IDBI*/SFCs and SIDCs (upto December 31, 1966)**

(In lakhs of rupees)

Name of the Company	Financial Assistance Sanctioned (Net Effective) by the Financial Institutions.				Amount Disbursed				Amount Outstanding as on 31st December, 1966			
	@ Loans	Underwriting Shares	Deben-tures	Guaran-tees	@ Loans	Underwriting Shares	Deben-tures	Guaran-tees	@ Loans	Underwriting Shares	Deben-tures	Guaran-tees
1	2	3	4	5	6	7	8	9	10	11	12	13

1.

2.

3.

4.

@ Please indicate the amount of assistance granted in the form of foreign currency loans in brackets, in each case separately.

* In this statement, only direct financial assistance granted by the IDBI should be given.

** In case of SFC's company-wise information should be given only in respect of public and private limited companies which were sanctioned financial assistance of Rs. 5 lakhs and above. For the rest, total figures should be given at the end of the statement.

Statement IV—Information Relating to Application for Financial Assistance Rejected, Postponed or Kept in Abeyance by IFC/ICICI/IDBI/SFCs and SIDCs (upto 31st December, 1966)*

Name of the company	Date of application	Date of rejection	Assistance applied for			Detailed reasons for rejection, postponement or abeyance
			Loan	Underwriting	Guarantee	
1	2	3	4	5	6	7
1.						
2.						
3.						
4.						
5.						

*Please give details in respect of all applications rejected, including those turned down in the initial stages of informal enquiries prior to formal submission of application for assistance.

**Statement V—Financial Assistance Granted* by way of Refinance by Refinance Corporation/IDBI
Upto 31st December, 1966**

Name of the Company	Type of Industry	Name of the Financial Institution	Date of Application	Date of Sanction	Net Effective Amount Sanctioned	Amount Disbursed	Amount Outstanding
1	2	3	4	5	6	7	8
1.							
2.							
3.							
4.							
5.							

Grand Total

* Please give company-wise details only in respect of refinance sanctioned for Rs. 5 lakhs or more.

APPENDIX VI-D (2)

Statement VI—Credit Facilities Granted by the State Bank of India and Subsidiary Banks* from 1st January, 1956 to 31st December, 1966

Name of the Company	Type of Industry	Names of the directors of the Bank who as Directors were Interested in the applicant Company (at the time of Application for Credit Facilities)	Total Credit Facilities granted (Limits Sanctioned)										
			1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1													
2													
3													
4													
Total													

* Company-wise details should be given, only in respect of credit facilities sanctioned for Rs. 5 lakhs and more. In case of the Subsidiary Bank please give the details at the time of their acquisition by the SBI as subsidiaries and thereafter as indicated.

APPENDIX VI-D (3)

Statement VII—Loans to and Investments in Shares and Debentures of Public Limited Companies by L.I.C.
as on 1st September, 1956, 1st January, 1961 and 31st March, 1967*

Name of the Company	As on 1st September, 1956					As on 1st January, 1961				
	Loans	Ordinary Shares	Preference Shares	Debentures	Total	Loans	Ordinary Shares	Preference Shares	Debentures	Total
1	2	3	4	5	6	7	8	9	10	11
1.										
2.										
3.										
4.										
Total										

*Company-wise details should be given only in respect of loans/investments of Rs. 5 lakhs and above. Book value of shares and debentures and outstanding amount of loans to companies should be shown.

Statement VII—(Contd.....)

Name of the Company (Contd.)	As on 31st March, 1967					As on 31st March, 1967					As on 31st March, 1967				
	Loans	Ordinary Shares	Prefer- ence Shares	Deben- tures	Total	Ordinary Shares	Prefer- ence Shares	Deben- tures	Total	Ordinary Shares	Prefer- ence Shares	Deben- tures	Total		
	12	13	14	15	16	17	18	19	20	21	22	23	24		
1.															
2.															
3															
4.															
Total															

*Company-wise details should be given only in respect of loans/investments of Rs. 5 lakhs and above. Book value of shares and debentures and outstanding amount of loans to companies should be shown.

Statement VIII—Investments of LIC as on 1st September 1956 and 31st March, 1967

Name of the Company	As on 1st September, 1956				As on 31st March, 1967			
	Total paid-up capital		LIC's investment (Paid-up Value)		(Total Paid-up capital)		LIC's Investment (Paid-up Value)	
	Ordinary Shares	Preference Shares	Ordinary Shares	Preference Shares	Ordinary Shares	Preference Shares	Ordinary Shares	Preference Shares
1	2	3	4	5	6	7	8	9

1.

2.

3.

4.

Total

**Grand Total
(for all companies)**

*Company-wise details should be given for all the holdings of shares by the Corporation, whether purchased directly from the market or devolved on account of underwriting obligations of the value of Rs. 5 lakhs or more.

Name of the Company	Amount Sanctioned				Amount Devolved			
	Ordinary Shares	Preference Shares	Debentures	Total	Ordinary Shares	Preference Shares	Debentures	Total
1	2	3	4	5	6	7	8	9
Total								

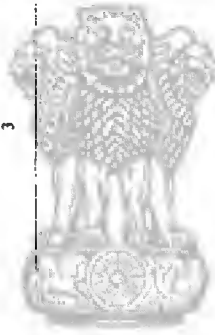
Statement X—Investments of U. T. I. up to 31st December, 1966

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APPENDIX VI-D (4)

Statement XI—Investments of State Governments in Private Sector Companies

Name of the Company	Paid-up Value as on 31st December, 1966			Total
	Ordinary Shares	Preference Shares	Debentures	
1	2	3	4	5



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Statement XII — Loans Granted by Central Government to Private Sector Companies

Name of the Company	Date of Sanction	Amount Sanctioned	Amount Outstanding as on 31st December, 1966
1	2	3	4



APPENDIX VI-E (1) TO (20)
ASSISTANCE SANCTIONED AND DISBURSED BY ALL FINANCIAL
INSTITUTIONS TO TWENTY LARGER INDUSTRIAL HOUSES
DURING THE PERIOD 1956 TO 1966



Figures in brackets are percentages to total.

*Amounts sanctioned have been regarded as disbursed.

@The figures relate to maximum credit limits sanctioned by the SBI and its Subsidiary Banks and 75% of the credit limits sanctioned are estimates as average amount outstanding during the year.

†The book value of investment of LIC as at the end of March, 1967 and those of UTI as at the end of December, 1966.

**Bracketed figures indicate foreign currency loans.

@@It is possible that some double counting in total assistance may be there due to the inclusion of refinance assistance to other term financing institutions but this is unavoidable.

‡Underwriting disbursed in case of LIC and UTI refers to amount devolved.



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APPENDIX VI-E(2)
ASSISTANCE SANCTIONED AND DISBURSED BY ALL FINANCIAL INSTITUTIONS TO ANDREW YULE
DURING THE PERIOD 1956 TO 1966

(Rs. lakhs)

Name of the Institution	Underwriting										Total
	Loans**		Shares		Debentures		Direct Subscriptions*		Guarantees		
	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed	Shares	Debentures	Sanctioned	Disbursed	
A. Term Financing Institutions											
IFCI	...	...	3	3	...	...	...	...	...	...	3 (0.9) 143 (43.3) ...
ICICI	100 (80)	95 (75)	24	12	50	21	15	...	...	...	3 (0.6) 189 (37.6) 80 (15.9) 6 (1.2) ...
IDBI Direct	80	...	...	...	...	...	...	...	...	...	...
Refinance @@	6	6	...	...	...	...	...	...	...	...	...
SFCs	...	...	...	...	...	...	...	...	...	...	...
SIDCs	...	...	...	...	...	...	...	...	...	...	...
SBI (Term Loan)	132	112	...	...	...	...	...	...	...	...	...
Sub Total	318	213	27	15	50	21	15	...	...	...	...
B. Investment Institutions											
LIC	...	...	16	16	25	7	...	...	...	...	...
UTI	...	...	...	...	28	20	...	...	...	...	...
Sub Total	...	...	16	16	38	27	...	...	...	...	...
C. Direct Govt. Assistance											
Total (A+B+C)	318	213	43	31	103	48	38	...	...	...	...
D. Credit Facilities by Banking Institutions @											
SBI	...	...	Sanctioned	Estimated outstanding	...	...	...	...	...	...	...
Subsidiary Banks	...	...	1155	866	...	...	...	...	...	...	...
Sub Total	...	...	147	110	...	...	...	...	...	...	...
E. Book Value of Investments, Ordinary shares											
LIC	...	...	Preference shares	Debentures	...	...	...	...	...	...	...
UTI	...	...	46	10	...	...	...	...	...	...	...
Sub Total	...	...	5	24	...	...	...	...	...	...	...
F. Sub Total											
...	...	...	198	9	...	...	...	...	...	...	...
G. Sub Total											
...	...	...	51	34	...	...	...	...	...	...	...

APPENDIX VI E(3)
ASSISTANCE SANCTIONED AND DISBURSED BY ALL FINANCIAL INSTITUTIONS TO BANGUR
DURING THE PERIOD 1956 TO 1966

(Rs. lakhs)

Name of the Institution	Underwriting										Total
	Loans**		Shares		Debentures		Direct Subscriptions*		Guarantees		
	Sanc- tioned	Dis- bursed	Sanc- tioned	Dis- bursed†	Sanc- tioned	Dis- bursed†	Shares	Deben- tures	Sanc- tioned	Dis- bursed	
A. Term Financing Institutions											
IFCI	187	55	28	13	40	40	...	...	...	...	108
	(62)	(5)									(12.1)
ICICI	192	161	85	39	...	...	...	...	...	...	200
											(22.3)
IDBI Direct	90	80	70	25	60	60	...	...	...	...	165
											(18.4)
Refinance@	148	148	...	...	...	...	...	...	...	...	148
											(16.5)
SFCs	34	31	...	...	...	...	...	...	...	...	31
											(3.5)
SIDCs	...	...	15	15	...	...	...	...	...	...	15
											(1.7)
SBI (Term Loan)	55	35	...	...	...	...	...	...	...	...	35
											(3.9)
Sub Total	706	510	198	92	100	100	...	...	...	...	702
											(83.9)
B. Investment Institutions											
LIC	...	...	68	68	100	100	...	...	...	...	168
											(18.8)
UTI	...	...	...	...	25	25	...	...	...	...	25
											(2.8)
Sub Total	...	...	68	68	125	125	...	...	...	...	193
											(46.1)
C. Direct Government Assistance											
Total (A+B+C)	706	510	266	160	225	225	...	...	...	...	1197
											(100)
D. Credit Facilities by Banking Institutions @											
SBI	...	...	698	698	...	...	...	...	...	...	...
Subsidiary Banks	...	...	656	656	...	...	...	...	...	...	...
Sub Total	...	...	1354	1354	...	...	...	...	...	...	...
E. Book value of Investments†											
LIC	159	...	118	118	...	...	...	...	...	...	451
											(174)
UTI	28	...	13	13	...	...	...	...	...	...	37
											(28)
Sub Total	187	...	131	131	...	...	...	...	...	...	211
											(529)

Estimated outstanding

523

493

1016


Total

451

78

529

(Rs. lakhs)



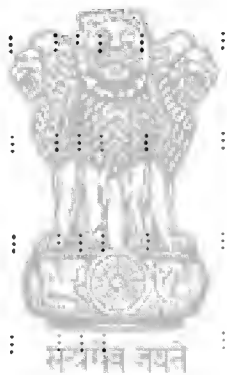
(Rs. lakhs)

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APPENDIX VI-E(6)
ASSISTANCE SANCTIONED AND DISBURSED BY ALL FINANCIAL INSTITUTIONS TO GOENKA
DURING THE PERIOD 1956 TO 1966

(Rs. lakhs)

Name of the Institution	Underwriting										Total
	Loans**		Shares		Debtures		Direct Subscriptions *		Guarantees	Disbursed	
	Sanc- tioned	Dis- bursed	Sanc- tioned	Dis- bursed†	Sanc- tioned	Dis- bursed†	Shares	Deben- tures			
A. Term Financing Institutions											
IFCI	19 (19)	18 (18)	...	...	...	...	...	...	...	19 (3.6)	18 (3.7)
ICICI	122 (122)	92 (92)	...	...	...	...	...	...	...	122 (23.3)	92 (18.7)
IDBI Direct Refinance@@	201	201	...	...	...	...	...	...	...	201 (38.4)	201 (40.8)
SFCs	...	...	...	...	...	...	...	...	...	...	...
SIDCs	...	...	...	...	...	...	...	...	...	...	...
SBI (Term Loan)	180	180	...	...	...	...	...	...	...	180 (34.4)	180 (36.5)
Sub. Total	522	491	...	...	...	...	...	...	...	522 (99.6)	491 (99.6)
B. Investment Institutions											
LIC	...	...	...	...	...	...	...	...	...	...	...
UTI	...	...	...	...	...	...	...	...	...	...	...
Sub. Total	...	...	...	...	...	...	...	...	...	...	...
C. Direct Government											
2	2	2	...	...	...	...	...	...	...	2	2
Assistance	...	...	...	...	...	...	...	...	...	...	...
Total (A+B+C)	524	493	...	...	...	...	...	...	...	524 (100)	493 (100)
D. Credit Facilities by Banking Institutions@											
SBI	...	...	...	740	...	...	...	...	...	...	...
Subsidiary Banks	...	...	...	149	...	...	...	...	...	...	...
Sub. Total	...	...	...	889	...	...	...	...	...	...	...
E. Book value of Investment†											
LIC	24	24	...	22	31	...	...	...	...	22	31
UTI	...	...	...	1	...	...	...	...	...	1	...
Sub. Total	24	24	...	23	31	...	...	...	...	23	31



APPENDIX VI—E(7)
ASSISTANCE SANCTIONED AND DISBURSED BY ALL FINANCIAL INSTITUTIONS TO ICI
DURING THE PERIOD 1956 TO 1966

Name of the Institution	(Rs. lakhs)									
	Underwriting					Direct				
	Loans**		Shares		Debtures		Subscriptions*		Guarantees	
	Sanctioned	Disbursed	Sanctioned	Disbursed†	Sanctioned	Disbursed†	Shares	Debtures	Sanctioned	Disbursed
A. Term Financing Institutions										
IFCI	48	...	...	...	...	...	...	...	48	...
ICICI	(48)	...	...	...	...	...	...	...	(15.3)	...
IDBI Direct	...	...	...	...	...	...	...	...	100	100
Refinance@	100	100	...	...	...	...	...	...	(31.8)	(99.0)
SFCs	...	...	...	...	...	...	...	...	...	...
SIDCs	...	...	...	...	...	...	...	...	...	...
SBI (Term Loan)	...	...	...	...	...	...	...	...	...	...
Sub Total	148	100	...	...	...	...	...	...	148	100
									(47.1)	(99.0)
B. Investment Institutions										
LIC	...	...	155	694	...	...	...	...	155	...
UTI	...	...	11	1	...	...	...	...	11	1
Sub Total	...	...	166	1	...	...	...	...	166	1
									(52.9)	(1.0)
C. Direct Government Assistance										
Total (A+B+C)	148	100	166	1	...	...	...	...	314	101
									(100)	(100)
D. Credit Facilities by Banking Institutions@	Sanctioned	Estimated outstanding								
SBI	5	4								
Subsidiary Banks	...	...						
Sub Total	5	4								
E. Book value of Investment††	Ordinary shares	Preference shares	Debtures	Total						
LIC	30	7	...	37						
UTI	10	1	...	11						
Sub Total	40	8	...	48						

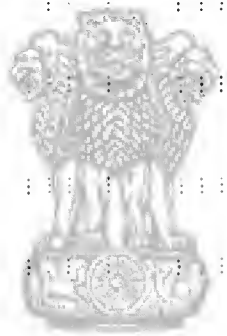
APPENDIX VI—E(8)
ASSISTANCE SANCTIONED AND DISBURSED BY ALL FINANCIAL INSTITUTIONS TO J.K. SINGHANIA
DURING THE PERIOD 1956 TO 1966

(Rs. lakhs)

Name of the Institution	Underwriting										Total	
	Loans**		Shares		Debtures		Direct Subscriptions*		Guarantees			
	Sanc- tioned	Dis- bursed	Sanc- tioned	Dis- bursed†	Sanc- tioned	Dis- bursed‡	Shares	Deben- tures	Sanc- tioned	Dis- bursed		
A. Term Financing Institutions												
IFCI	291 (53)	212 (32)	50	34	...	...	...	...	352	259	693 (71.2)	505 (69.1)
ICICI	81 (81)	67 (67)	50	22	...	...	...	...	...	...	131 (13.5)	89 (12.2)
IDBI Direct Refinance@	58	58	...	...	...	...	...	...	...	...	...	58 (7.9)
SFCs	68	62	...	...	...	...	...	...	...	...	58 (5.9)	62 (8.5)
SIDCs	...	...	...	...	...	...	...	...	...	...	...	...
SBI (Term Loan)	...	...	...	...	...	...	...	...	...	...	...	...
Sub Total	498	399	100	57	...	...	...	...	352	259	950 (97.6)	714 (97.7)
B. Investment Institutions												
LIC	...	...	10	10	...	...	...	...	...	...	10 (1.0)	10 (1.4)
UTI	...	...	13	7	...	...	...	...	...	...	13 (1.4)	7 (0.9)
Sub Total	...	...	23	17	...	...	...	...	...	...	23 (2.4)	17 (2.3)
C. Direct Government Assistance												
Sub Total	498	399	123	73	...	negligible	...	...	352	259	973 (100)	731 (100)
D. Credit Facilities by Banking Institutions@												
SBI	...	...	Sanctioned 545	Estimated outstanding 409	...	...	...	...	...	...	...	...
Subsidiary Banks	...	...	25	19	...	...	...	...	...	...	...	...
Sub Total	...	...	570	428	...	...	...	...	...	...	...	...
E. Book value of investments† -												
LIC	...	...	Ordinary shares 27	Preference shares 58	...	...	...	...	Debtures 23	Total 108	...	...
UTI	...	...	11	10	...	...	...	...	...	21	...	...
Sub Total	...	...	38	68	...	...	...	...	23	129	...	...

APPENDIX VI—E(9)
ASSISTANCE SANCTIONED AND DISBURSED BY ALL FINANCIAL INSTITUTIONS TO TULSIDAS KILACHAND
DURING THE PERIOD 1956 TO 1966

Name of the Institution	Underwriting						Total	
	Loans**		Debtures		Direct Subscriptions*			Guarantees
	Sanctioned	Disbursed	Sanctioned	Disbursed†	Shares	Debtures		
A. Term Financing Institutions								
IFCI	138 (138)	125 (125)	...	...	...	...	138 (66.7)	125 (64.4)
ICICI	...	...	...	...	...	...	...	...
IDBI Direct Refinance@	50	50	...	...	...	...	50 (24.1)	50 (25.8)
SFCs	...	...	...	...	...	...	...	...
SIDCs	...	...	...	...	...	...	...	...
SBT (Term Loan)	19	19	...	...	...	...	19 (9.2)	19 (9.8)
Sub Total	207	194	...	...	...	...	207 (100)	194 (100)
B. Investment Institutions								
LIC	...	...	...	...	...	...	...	...
UTI	...	...	...	...	...	...	...	...
Sub Total	...	...	...	...	...	...	...	...
C. Direct Government Assistance								
Total (A + B + C)	207	194	...	...	...	...	207 (100)	194 (100)
D. Credit Facilities by Banking Institutions@								
SBI	...	...	Sanctioned 225	Estimated outstanding 169	...	...	...	...
Subsidiary Banks	...	...	...	...	...	...	...	...
Sub Total	...	...	225	169	...	...	...	...
E. Book value of investment†								
LIC	12	...	Preference shares 18	Debtures 30	...	...	...	...
UTI	...	...	...	...	...	...	...	...
Sub Total	12	...	18	30	...	...	...	...



APPENDIX VI-E(10)
ASSISTANCE SANCTIONED AND DISBURSED BY ALL FINANCIAL INSTITUTIONS TO KILLICKS
DURING THE PERIOD 1956 TO 1966

(Rs. lakhs)

Name of the Institution	Underwriting										Total
	Loans**		Shares		Debentures		Direct Subscriptions*		Guarantees		
	Sanc- tioned	Dis- bursed	Sanc- tioned	Dis- bursed†	Sanc- tioned	Dis- bursed†	Shares	Deben- tures	Sanc- tioned	Dis- bursed	
A. Term Financing Institutions											
IFCI	7	...	...	...	10	10	...	...	...	...	10 (2.3) 93 (21.3) ...
ICICI	74 (68)	14 (8)	...	...	95	79	...	...	...	...	10 (1.8) 169 (31.8) ...
IDBI Direct	...	...	...	...	...	...	...	...	...	...	...
Refinance @@	...	...	...	...	...	...	...	...	...	...	...
SFCs	...	...	...	...	...	...	...	...	...	...	...
SIDCs	...	...	...	...	...	...	...	...	...	...	...
SBI (Term Loan)	...	...	...	...	...	...	...	...	...	...	...
Sub Total	74	14	...	...	105	89	...	...	...	...	103 (23.6)
B. Investment Institutions											
LIC	...	...	35	...	265	265	...	...	...	...	295 (67.5) 30 (6.9) 325 (74.4) 9 (2.1) 437 (100)
UTI	...	...	14	...	30	30	...	...	...	...	...
Sub Total	...	...	49	...	295	295	...	...	...	...	...
C. Direct Govt. Assistance											
Total (A + B + C)	74	14	49	...	400	384	9	...	...	...	...
D. Credit Facilities by Banking Institutions @											
SBI	...	...	...	...	...	...	...	...	...	...	...
Subsidiary Banks	...	...	...	...	...	...	...	...	...	...	...
Sub Total	...	...	...	...	...	...	...	...	...	...	...
E. Book Value of Investment†											
LIC	297	13	...	...	...	...	...	...	...	...	...
UTI	44	...	...	...	...	...	...	...	...	...	...
Sub Total	341	13	...	...	...	...	...	...	...	...	...

Estimated outstanding

	Ordinary shares	Preference shares	Debtentures	Total
LIC	297	13	292	602
UTI	44	...	35	79
Sub Total	341	13	327	681

APPENDIX VI—E(11)
ASSISTANCE SANCTIONED AND DISBURSED BY ALL FINANCIAL INSTITUTIONS TO MAFAFALAL
DURING THE PERIOD 1956 TO 1966

(Rs. lakhs)

Name of the Institution	Underwriting										Total
	Loans**		Shares		Debentures		Direct Subscriptions*		Guarantees		
	Sanc-tioned	Dis-bursed	Sanc-tioned	Dis-bursed†	Sanc-tioned	Dis-bursed†	Shares	Debentures	Sanc-tioned	Dis-bursed	
A. Term Financing Institutions											
IFCI	350	120	60	45	...	...	...	...	...	410	165
										(15.4)	(10.0)
ICICI	490	251	60	45	15	13	...	...	...	565	309
	(350)	(251)								(21.3)	(18.8)
IDBI Direct	1040	625	308	272	...	...	...	...	...	1348	897
Refinance@@	50	50	...	...	...	...	...	...	...	(50.8)	(54.6)
										50	50
										(1.9)	(3.0)
SFCs	...	...	...	...	...	...	...	...	...	...	...
SIDCs	...	...	...	...	...	...	...	...	...	...	...
SBI (Term loan)	...	...	...	...	...	...	...	...	...	...	...
Sub Total	1930	1046	428	362	15	13	...	...	...	2373	1421
										(89.3)	(86.4)
B. Investment Institutions											
LIC	138	138	70	70	60	...	...	...	...	268	208
										(10.1)	(12.7)
UTI	...	...	...	...	15	15	...	...	...	15	15
Sub Total	138	138	70	70	75	15	...	...	...	(0.6)	(0.9)
										283	223
										(10.7)	(13.6)
C. Direct Government Assistance											
Total (A + B + C)	2068	1184	498	432	90	28	...	...	...	2656	1644
										(100)	(106)
D. Credit Facilities by Banking Institutions@											
SBI	...	...	Sanctioned	Estimated	outstanding	...	...	...	...	...	...
			380	285	...	...	...	...	...	...	...
Subsidiary Banks	...	...	20	15	...	...	...	...	...	...	...
Sub Total	...	...	400	300	...	...	...	...	...	...	...
E. Book value of Investment†											
LIC	113	113	Preference shares	Debt	...	...	...	...	...	133	133
			20	4	...	...	...	...	...	17	17
UTI	15	15	24	17	...	...	...	...	...	36	36
Sub Total	128	128	17	17	...	...	...	...	...	169	169

APPENDIX VI-E(12)
ASSISTANCE SANCTIONED AND DISBURSED BY ALL FINANCIAL INSTITUTIONS TO MARTIN BURN
DURING THE PERIOD 1956 TO 1966

(Rs. lakhs)

Name of the Institution	Underwriting						Total	
	Loans**		Shares		Debtures		Subscriptions *	Guarantees
	Sanc- tioned	Dis- bursed	Sanc- tioned	Dis- bursed†	Sanc- tioned	Dis- bursed†	Shares	Dis- bursed
A. Term Financing Institutions								
IFCI	...	...	...	...	...	...	...	...
ICICI	...	...	...	...	...	...	...	...
IDBI Direct	500	...	...	...	...	...	...	...
Refinance@@	...	...	...	...	...	...	...	500
SFCs	...	...	...	...	...	...	...	...
SIDCs	...	...	...	...	...	...	...	...
SBI (Term Loan)	...	...	...	...	...	...	...	...
Sub Total	500	...	...	...	...	...	...	500 (99.8)
								(0.0)
B. Investment Institutions								
LIC	...	...	...	...	...	...	...	...
UTI	...	...	...	...	...	...	...	...
Sub Total	...	...	...	...	...	...	...	...
C. Direct Government Assistance								
...	...	...	...	...	...	...	1	1
Total (A+B+C)	500	...	...	...	...	...	1	(0.2)
								501 (100)
								1 (100)
D. Credit Facilities by Banking Institutions@								
SBI	...	...	740	...	...	555	...	...
Subsidiary Banks	...	...	...	...	...	...	...	...
Sub Total	...	...	740	...	...	555	...	...
E. Book value of Investment†								
Ordinary shares	804	...	145	...	...	...	968	...
LIC	47	...	5	...	...	...	52	...
UTI	...	...	...	...	...	...	1020	...
Sub Total	851	...	150	...	...	...	...	...

(Rs. lakhs)



APPENDIX VI—B (14)
ASSISTANCE SANCIONED AND DISBURSED BY ALL FINANCIAL INSTITUTIONS TO SARABHAI
During the period 1966 to 1966

(Rs. lakhs)

Name of the Institution	Underwriting									
	Loans**		Shares		Debentures		Direct Subscriptions*		Guarantees	
	Sanc-tioned	Dis-bursed	Sanc-tioned	Dis-bursed†	Sanc-tioned	Dis-bursed†	Shares	Debentures	Sanc-tioned	Dis-bursed
A. Term Financing Institutions										
ICI	...	...	...	...	...	...	...	...	...	...
ICICI	246	190	...	...	...	...	...	...	246	190
	(206)	(150)	...	...	...	...	...	...	(71.9)	(66.4)
IDBI Direct Refinance@	80	80	...	...	...	...	...	...	80	80
	...	...	...	...	...	...	...	...	(23.4)	(28.0)
SFCs	11	11	...	...	...	...	...	...	11	11
	...	...	...	...	...	...	...	...	(3.2)	(3.8)
SIDCs	...	...	...	...	...	...	...	...	...	...
SBI (Term Loan)	...	...	...	...	...	...	...	...	...	...
Sub Total	337	281	...	...	...	...	...	...	337	281
	...	...	...	...	...	...	...	...	(98.5)	(98.3)
B. Investment Institutions										
LIC	...	...	5	5	...	...	...	...	5	5
	...	...	...	...	...	...	...	...	(1.5)	(1.7)
UTI	...	...	...	...	...	...	...	...	...	...
Sub Total	...	...	5	5	...	...	...	...	5	5
	...	...	...	...	...	...	...	...	(1.5)	(1.7)
C. Direct Government Assistance										
...
Total (A+B+C)	337	281	5	5	...	...	...	...	342	286
	...	...	...	...	...	...	...	...	(100)	(100)
D. Credit Facilities by Banking Institutions@										
SBI	...	...	440	330	...	...	...	...	...	...
Subsidiary Banks	...	...	50	38	...	...	...	...	...	...
Sub Total	...	...	490	368	...	...	...	...	...	...
E. Book value of Investments†										
LIC	26	...	1	...	...	...	...	...	27	...
UTI	5	...	...	...	...	...	...	...	5	...
Sub Total	31	...	1	...	...	...	...	...	32	...

(Rs. lakhs)

[illegible]

(Rs. lakhs)

Underwriting									
Name of the Institution	Loans**		Shares		Debentures		Direct Subscriptions*		Total
	Sanc-tioned	Dis-bursed	Sanc-tioned	Dis-bursed†	Sanc-tioned	Dis-bursed†	Shares	Debentures	
A. Term Financing Institutions									
IFCI	150	150	5	2	...	...	...	...	175 (31.2)
ICICI	143 (76)	130 (77)	...	...	...	...	10	...	153 (27.3)
IDBI Direct	...	...	...	...	...	...	...	...	...
Refinance@	38	38	...	...	...	...	...	...	38 (7.2)
SFCs	10	10	...	...	...	...	...	...	10 (1.9)
SIDCs	...	...	...	...	...	...	...	...	...
SBI (Term Loan)	...	...	...	...	...	...	...	...	...
Sub Total	341	328	5	2	...	...	10	...	340 (64.8)
B. Investment Institutions									
LIC	...	...	35	35	150	150	...	...	185 (35.2)
UTI	...	...	...	...	...	...	...	...	...
Sub Total	...	...	35	35	150	150	...	...	185 (35.2)
C. Direct Government Assistance									
Total (A+B+C)	341	328	40	37	150	150	10	...	561 (100)
D. Credit Facilities by Banking Institutions@									
SBI			Sanctioned	1137	Estimated outstanding	853			
Subsidiary Banks				278		278			
Sub Total				1508		1131			
E. Book value of Investments†									
LIC	178	Ordinary Shares	Preference shares	Debentures	Total				
UTI	22		63	149	390				
Sub Total	200		13	15	50				
			76	164	440				

(Rs. lakhs)

Underwriting									
Name of the Institution	Loans**		Shares		Debentures		Direct Subscriptions*		Total
	Sanctioned	Disbursed	Sanctioned	Disbursed†	Sanctioned	Disbursed†	Shares	Debentures	
A. Term Financing Institutions									
IFCI	147 (60)	70 (...)	...	...	...	...	...	...	147 (36.9)
ICICI	...	...	...	...	...	...	...	...	...
IDBI Direct Refinance @@	77	58	...	...	...	...	...	...	77 (19.4)
SFCs	33	32	...	...	...	...	...	...	33 (8.3)
SIDCs	...	...	...	...	...	...	...	...	...
SBI (Term Loan)	125	106	...	...	...	...	...	...	125 (31.4)
Sub Total	382	266	...	...	...	...	...	...	382 (96.0)
B. Investment Institutions									
LIC	...	...	...	...	10	10	...	...	10 (2.5)
UTI	...	...	5	5	...	...	...	...	5 (1.3)
Sub Total	...	...	5	5	10	10	...	...	15 (3.8)
C. Direct Govt. Assistance..									
	...	...	...	...	...	...	1	...	1 (0.2)
Total (A+B+C)	382	266	5	5	10	10	1	...	398 (100)
D. Credit Facilities by Banking Institutions @									
SBI	2385	1789	Sanctioned	Estimated outstanding					
Subsidiary Banks	22	17	22	17					
Sub Total	2407	1806	2407	1806					
E. Book Value of investments†									
Ordinary shares	125	67	Preference shares	Debtentures	Total				
LIC	125	67	4	4	196				
UTI	4	10	...	...	14				
Sub Total	129	77	77	4	210				

APPENDIX VI—E (18)
ASSISTANCE SANCTIONED AND DISBURSED BY ALL FINANCIAL INSTITUTIONS TO TATA
DURING THE PERIOD 1956 TO 1966

(Rs. lakhs)

Name of the Institution	Underwriting										Total
	Loans **		Shares		Debentures		Direct Subscriptions*		Guarantees		
	Sanctioned	Disbursed	Sanctioned	Disbursed†	Sanctioned	Disbursed†	Shares	Debentures	Sanctioned	Disbursed	
A. Term Financing Institutions											
IFCI	309	76	43	13	...	...	...	...	...	351	89
	(24)	(...)								(19.1)	(7.8)
ICICI	441	343	62	13	159	90	8	...	...	669	453
	(391)	(293)								(36.4)	(39.5)
IDBI Direct	...	..	12	9	...	...	...	...	...	12	9
										(0.6)	(0.8)
Refinance@@	61	21	...	...	...	...	...	...	...	61	21
										(1.3)	(1.8)
SFCs	...	...	...	...	...	...	...	...	...	...	...
SIDCs	...	...	...	...	...	...	...	...	...	...	...
SBI (Term Loan)	...	...	...	...	...	...	...	...	...	...	...
Sub Total	811	440	117	35	159	90	8	...	...	1093	572
										(59.4)	(49.9)
B. Investment Institutions											
LIC	70	70	15	15	365	262	...	...	...	450	347
										(24.4)	(30.3)
UTI	...	...	25	18	140	79	...	...	...	165	97
										(9.0)	(8.5)
Sub Total	70	70	40	33	505	341	...	...	...	615	444
										(33.4)	(38.7)
C. Direct Government Assistance											
...	...	...	...	...	...	...	124	7	...	131	131
Total (A+B+C)	881	510	156	68	664	431	132	7	...	(7.1)	(11.4)
										1839	1147
										(100)	(100)
D. Credit Facilities by Banking Institutions@											
SBI	...	...	Sanctioned	5917	Estimated outstanding	4438	...	...	...	...	...
Subsidiary Banks	...	...	...	148	...	111	...	...	...	...	...
Sub Total	...	...	...	6065	...	4549	...	...	...	...	...
E. Book value of Investments†											
LIC	...	...	Ordinary shares	1556	Preference shares	612	...	...	...	...	...
UTI	...	...	...	182	...	88	...	...	...	...	...
Sub Total	...	...	...	1738	...	700	...	...	...	...	...

APPENDIX VI—E(19)
ASSISTANCE SANCTIONED AND DISBURSED BY ALL FINANCIAL INSTITUTIONS TO THAPAR
DURING THE PERIOD 1956 TO 1966

(Rs. lakhs)

Name of the Institution	Underwriting										Total	
	Loans**			Shares			Debentures					
	Sanc- tioned	Dis- bursed	Dis- bursed	Sanc- tioned	Dis- bursed	Dis- bursed	Sanc- tioned	Dis- bursed	Dis- bursed	Dis- bursed	Sanctioned	Disbursed
A. Term Financing Institutions												
IFCI	97	50	...	...	...	...	...	...	...	...	97	50
	(47)	(...)	...	...	...	...	...	...	...	...	(21.7)	(16.9)
ICICI	127	40	...	...	...	49	50	...	...	...	177	89
	(87)	(...)	...	...	...	...	...	...	...	...	(39.7)	(30.1)
IDBI Direct Refinance@	...	20	...	...	...	...	...	...	...	...	...	...
	20	20	...	...	...	...	...	...	...	...	20	20
	...	...	...	...	...	...	...	...	...	...	(4.5)	(6.8)
SFCs	40	40	...	...	...	...	...	...	...	...	40	40
	...	...	...	...	...	...	...	...	...	...	(9.0)	(13.5)
SIDCs	...	...	...	...	...	...	...	...	...	...	...	...
SBI (Term Loan)	...	...	...	...	...	...	...	...	...	...	...	...
Sub Total	284	150	...	...	...	49	50	...	...	...	334	199
	...	...	...	...	...	...	...	...	...	...	(74.9)	(67.2)
B. Investment Institutions												
LIC	...	...	...	...	...	...	15	...	...	...	15	...
	...	...	...	...	...	...	...	...	...	...	(3.4)	...
UTI	...	...	...	...	...	50	50	...	...	...	50	50
	...	...	...	...	...	...	...	...	...	...	(11.2)	(16.9)
Sub Total	...	...	...	...	...	50	65	50	...	...	65	50
	...	...	...	...	...	...	...	...	...	...	(14.6)	(16.9)
Direct Government Assistance	...	...	...	...	...	...	...	...	22	25	47	47
	...	...	...	...	...	...	...	...	...	...	(10.5)	(15.9)
Total (A+B+C)	284	150	...	...	...	99	115	99	22	25	446	296
	...	...	...	...	...	...	...	...	...	...	(100)	(100)
D. Credit Facilities by Banking Institutions@												
SBI	...	...	...	...	...	...	100	...	...	...	...	...

Subsidiary Banks	...	...	...	...	...	...	88	...	...	...	...	...

Sub Total	...	...	...	...	...	...	188	...	...	...	...	...
E. Book value of Investment†												
LIC	77	15	...	...	...	3	...	...	...	...	95	95

UTI	12	12	...	...	...	50	...	...	...	...	74	74

Sub Total	89	27	...	...	...	53	...	...	...	...	169	169

(Rs. lakhs)

Name of the Institution	Loans**				Underwriting							Total
	Sanctioned	Disbursed	Shares		Debentures		Subscriptions*	Guarantees		Sanctioned	Disbursed	
			Sanctioned	Disbursed†	Sanctioned	Disbursed†		Sanctioned	Disbursed			
A. Term Financing Institutions												
IFCI	...	...	...	...	75	66	...	...	...	75	66	...
ICICI	102	71	90	29	...	...	20	...	...	212	120	...
IDBI Direct	...	(71)	...	...	...	...	...	...	...	(62.0)	(52.2)	...
Refinance@@	...	...	...	...	...	...	...	...	...	...	...	...
SFCs	...	...	...	...	...	...	...	...	...	...	...	...
SIDCs	...	...	...	...	...	...	...	...	...	...	...	...
SBI (Term loan)	...	...	...	...	...	...	...	...	...	...	...	...
Sub Total	102	71	90	29	75	66	20	...	...	287	186	...
B. Investment Institutions												
LIC	...	...	12	8	35	30	...	...	...	47	38	...
UTI	...	...	...	...	8	6	...	...	...	(13.7)	(16.5)	...
Sub Total	...	...	12	8	43	36	...	...	...	8	6	...
C. Direct Government Assistance												
Total (A + B + C)	102	71	102	37	118	102	20	...	...	55	44	...
D. Credit Facilities by Banking Institutions@												
SBI	...	...	Sanctioned 159	Preference shares 159	Estimated outstanding 119	outstanding 119	...	...	...	...	...	...
Subsidiary Banks	...	...	...	...	...	...	...	...	...	...	...	...
Sub Total	...	...	159	159	119	119	...	...	...	342	230	...
E. Book value of investment†												
LIC	Ordinary shares 205	Preference shares 15	Debitures 47	Total 267								
UTI	17	1	17	35								
Sub Total	222	16	64	302								

APPENDIX VI—F

Statewise Distribution of Assistance (Loans, Underwriting, Guarantee Etc.) Sanctioned by the Financial Institutions as at the End of 1966—1967

(Rs. Lakhs)						
State	IFCI	ICICI	IDBI*	SFCs	LIC**	TOTAL
1	2	3	4	5	6	7
1. Andhra Pradesh	2260 (7.7)	927 (4.7)	1629 (7.2)	947 (6.2)	352 (1.8)	6115 (5.7)
2. Assam	668 (2.3)	190 (0.9)	12 (0.1)	602 (3.9)	806 (4.2)	2278 (2.1)
3. Bihar	1717 (5.9)	839 (4.2)	897 (3.9)	447 (2.9)	1880 (9.8)	5780 (5.4)
4. Gujarat	1797 (6.1)	2461 (12.3)	3406 (14.9)	641 (4.0)	1139 (5.9)	9414 (8.8)
5. Harayana	851 (2.9)	253 (1.3)	205 (0.9)	916@ (6.0)	74 (0.4)	2299 (2.2)
6. Kerala	1127 (3.8)	183 (1.0)	307 (1.3)	532 (3.5)	358 (1.9)	2517 (2.4)
7. Madhya Pradesh	714 (2.4)	339 (1.7)	372 (1.6)	730 (4.8)	506 (2.6)	2661 (2.5)
8. Madras	5415 (15.1)	2217 (11.1)	3405 (14.9)	4401 (28.8)	1183 (6.1)	15621 (14.7)
9. Maharashtra	5405 (18.5)	7382 (37.0)	7315 (32.1)	2368 (15.5)	5753 (29.9)	28223 (26.5)
10. Mysore	1514 (5.2)	1253 (6.3)	617 (2.7)	584 (3.8)	396 (2.1)	4364 (4.1)
11. Orissa	750 (2.6)	477 (2.4)	156 (0.7)	302 (2.0)	277 (1.4)	1962 (1.8)
12. Punjab	550 (1.9)	15 (0.1)	93 (0.4)	558@ (3.6)	40 (0.2)	1256 (1.2)
13. Rajasthan	1364 (4.7)	593 (3.0)	730 (3.2)	511 (3.3)	93 (0.5)	3291 (3.1)
14. Uttar Pradesh	2190 (7.5)	905 (4.5)	1156 (5.1)	587 (3.8)	664 (3.3)	5482 (5.2)
15. West Bengal	3593 (12.3)	1789 (9.0)	2175 (9.6)	1087 (7.1)	5329 (27.6)	13973 (13.1)
16. Jammu & Kashmir	— (—)	— (—)	— (—)	120 (0.8)	— (—)	120 (0.1)
17. Union Territories	334 (1.1)	123 (0.6)	315 (1.4)	— (—)	445 (2.3)	1217 (1.1)
Total	29249 (100)	19956 (100)	22790 (100)	15303 (100)	19275 (100)	106573 (100)
Percentage	27.4	18.7	21.3	(14.4)	18.0	100.0

N.B.—Statewise break-up of UTI's investments is not available Figures in brackets are percentages to total.

* Figures relate to the year 1967-68 and include assistance mentioned in the form of refinance and rediscount,

** The amount of assistance sanctioned by LIC includes market purchases of shares and debentures and outstanding loans to private sector companies.

@ Figures relate to gross assistance sanctioned.